

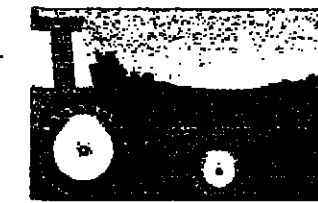
Andrew Jack
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Tragedy in Rwanda
The other side
of the coin
Page 14



Workforce skills
Blue-collar team,
white-collar wise
Page 11



Farm equipment
An industry
on stony ground
Page 14



Spain
On the fringe
of the Union
Survey, Pages 27-30

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY MAY 11 1994

15

North Yemen sacks southern premier amid heavy fighting

North Yemen's leaders stepped up their propaganda offensive in the civil war with the south by denouncing prime minister Haydar Abu Bakr al-Attas and stripping him of all powers. Attas is the fifth southerner dismissed in a week as northern leaders try to consolidate and legitimise their authority throughout the country. The military situation remained unclear, with each side broadcasting its own version of events. Heavy fighting is reported around Aden. Page 16

Hata calls for opposition support Tsutomu Hata, Japan's new prime minister, appealed for opposition support to help his minority government tackle the host of urgent and contentious issues ahead. Page 16; Japan economy still sluggish, Page 4; Boost for foreign cars, Page 5

Warning on UK interest rates The Bank of England warned it would have to increase interest rates if high inflationary expectations in Britain led to a quickening in the pace of wage and price inflation. Page 16; Editorial Comment, Page 15; Lex, Page 16

BSN, France's largest food group, is changing its name to Danone, its leading yoghurt brand, and has unveiled several international deals, including the FF1.9bn (\$332m) acquisition of San Miguel, one of Spain's largest brewers. Page 17

Catalan leader names price for González



Catalan leader Jordi Pujol (left) wants "substantial agreements" on economic, labour and regional policies as a condition for continuing to prop up Spain's minority Socialist government. He expressed confidence in the determination of Felipe González's government to tackle corruption, but warned that if it failed "we will have to withdraw our support". Page 2

Major seeks to defuse Euro row UK prime minister John Major rejected calls from Conservative party Euro-sceptics to commit his government to a referendum on the next stage of European integration. Page 16; Continental debate, Page 3

Bankers defend derivatives Senior banking executives rallied in Washington to fight off calls for more government regulation of derivatives, amid growing congressional concern about the risks raised by these financial products. Page 6

Russia's defence spending to surge President Boris Yeltsin has agreed to a 66 per cent increase in Russia's defence budget in the biggest deviation yet from fiscal commitments to the International Monetary Fund, according to a senior parliamentarian. Page 2

BBC aims to be 'number one' The BBC intends to become "number one in world television" to match its lead in radio, director general John Birt said. Its new commercial partner is Pearson, the media group which owns Thames Television and the Financial Times. Page 8

Gatt seeks new head The General Agreement on Tariffs and Trade launched its hunt for a successor to director-general Peter Sutherland, who plans to stand down at the end of the year. Page 5

SmithKline Beecham The Anglo-US drug company is to launch an unbranded version of its former best-selling ulcer drug Tagamet in the US in an attempt to stave off competition from makers of cut-price generic products after Tagamet's US patent expires on May 17. Page 17

Australian budget looks to asset sales Australia's budget for the 1994-95 financial year drew heavily on the country's recent surge in economic growth and expected about \$52.4bn (\$1.73bn) in proceeds from asset sales. Page 4

India set to tackle inflation The Reserve Bank of India is set to move against soaring inflationary pressures at its board meeting this Saturday. Page 4

Zil back in business Zil, Russia's ailing truck manufacturer, said it had reopened after a 10-day stoppage and planned to recover money from debtors, expand its vehicle range and trim its workforce. Page 2

Racial abuse falls at UK football grounds Britain's football grounds have seen a marked decline in incidents of racial abuse and harassment at the end of a season-long campaign aimed at tackling the problem. Page 10

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,136.3 (+38.5)	New York headline	\$ 1,487.5
Yield	3.87	London	\$ 1,487.5
FT-SE Eurotrack 100	1,458.39 (+18.09)	DM	1,491 (1,496)
FT-SE-A All-Share	1,581.23 (+0.9%)	DM	2,497 (2,497)
Nikkei	19,917.78 (+130.82)	DM	8,527 (8,498)
New York headline	3,551.05 (+22.91)	DM	2,137 (2,116)
Dow Jones Ind. Ave	3,551.05 (+22.91)	DM	154.915 (153.886)
S&P Composite	444.37 (+2.05)	DM	75.6 (79.4)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5 1/4%	New York headline	\$ 1,487.5
3-mo Treas. Bills Yld	4.365%	London	\$ 1,487.5
Long Bond	7.500%	DM	1,491 (1,496)
Yield	7.500%	DM	2,497 (2,497)
LONDON MONEY		DM	
3-mo Interbank	5 1/4% (same)	DM	8,527 (8,498)
Life long gth future	Jan 1003 (Jan1003.1)	DM	2,137 (2,116)
NORTH SEA OIL (Argus)		DM	
Brent 15-day (June)	\$15.11 (15.21)	DM	154.915 (153.886)
WTI	103.9 (102.575)	DM	75.6 (79.4)
New York Crude (June)	\$17.8 (18.2)	DM	1,487.5
London	\$18.2 (18.25)	DM	2,497 (2,497)

Austria	Sch2C	Greco	D350	Lux	LP45	Chile	CP13.00
Belgium	D41.250	Hong Kong	140310	Malta	LM10	Singapore	S\$4.30
Denmark	DKK16	Hungary	FT105	Mexico	MX215	South Africa	R12.00
France	FFR80	Ireland	IR105	Neth	FL100	Spain	P22.50
Germany	DM100	Italy	LI100	Norway	NOK17.00	Sweden	SEK10
Greece	GRD100	Japan	JPY100	Philippines	PHP50	Taiwan	NT\$100
Ireland	IRL100	Portugal	ESC200	Poland	PLN100	Turkey	TL100
Italy	LI100	Romania	RON100	Slovakia	SKK100	USA	\$1.00
Japan	JPY100	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Portugal	ESC200	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Spain	P22.50	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Sweden	SEK10	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Switzerland	CHF100	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Taiwan	NT\$100	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Turkey	TL100	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
USA	\$1.00	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100
Yugoslavia	YUD100	Slovenia	SLV100	Slovenia	SLV100	Yugoslavia	YUD100

Berlusconi promises shake-up

By Robert Graham in Rome

Mr Silvio Berlusconi yesterday announced a 25-member cabinet for Italy's 53rd post-war government, which he committed to deregulating the economy, and shaking up and decentralising public administration.

The formation of the cabinet took 11 days of difficult negotiations and comes nearly seven weeks after Mr Berlusconi's four-party Freedom Alliance won a landslide victory in the March 27-28 general elections.

The presence of ministers from the neo-fascist MSI/National Alliance also marks an historic break

Neo-fascists appointed to cabinet in break with past

with the party's long-standing political isolation.

The government, composed of Mr Berlusconi's Forza Italia, the populist Northern League of Mr Umberto Bossi, the MSI and the small Christian Democratic Centre, will be sworn in today. But it is still uncertain whether Mr Berlusconi will go to parliament with his programme to obtain a vote of confidence this week.

Mr Berlusconi gave the main economic portfolio, the treasury ministry, to Mr Lamberto Dini,

the number two at the Bank of Italy, who was passed over for the governorship last year.

Mr Dini is well known internationally having worked with the International Monetary Fund but he is a political novice and his move to the treasury raises questions about the existing treasury team as well as his replacement at the central bank.

Mr Berlusconi decided not to scrap the budget and finance portfolios which have gone respectively to Mr Giancarlo Pag-

liarini, a former accountant and League senator, and to Mr Giulio Tremonti, a tax expert.

Mr Berlusconi was obliged to make some important last-minute changes. The most significant involved Mr Cesare Previti, who handles the legal affairs of Mr Berlusconi's Fininvest empire.

He was switched from the justice ministry to the defence ministry after objections from the Freedom Alliance as well as from President Oscar Luigi Scalfaro.

The presence of Mr Previti in the justice ministry was considered likely to cause a conflict of interest at a time when magistrates are investigating various aspects of Fininvest activities.

He was also viewed with hostility by Italy's powerful magistrates.

President Scalfaro himself took the unprecedented step of writing a curt letter to Mr Berlusconi reminding him of his duties in choosing ministers. The letter, sent on Monday but only

revealed yesterday, highlighted three points.

The president reminded Mr Berlusconi that foreign policy must take account of Italy's existing international obligations and alliances as well as support for European Union.

This was seen as an implicit reference to Mr Berlusconi's choice of Mr Antonio Martino, his economic adviser, as foreign minister. Mr Martino, a Chicago-trained economist, is seen as a "Euro-sceptic".

In his second point, Mr Scalfaro said the interior minister

Continued on Page 16

South African generals and black guerrilla leaders provide escort at oath-taking

President Mandela sworn in as white rule ends

By Patti Waldmeir, Michael Holman, Gordon Cramb and Mark Suzman in Pretoria

White South Africans handed over power to blacks, voluntarily and peacefully, yesterday when Mr Nelson Mandela was sworn in as president in a ceremony which formally ended more than three centuries of white rule.

The reality of the transfer of power struck home when jets from the most powerful military machine on the continent paid homage to Africa's newest head of state.

White South African generals joined black guerrilla leaders to escort their new president to the podium to take the oath of office, signalling an overnight shift in allegiance to the man they once hunted down for terrorism.

As princes and kings, prime ministers and presidents from more than 140 countries listened, Mr Mandela pledged his own allegiance to the South African state he once sought to overthrow.

"I do hereby swear to be faithful to the republic of South Africa and do solemnly and sincerely promise to promote that which will advance and to oppose all that may harm the republic... and to devote myself to the well-being of the republic and all its people."

As blacks struggled to sing Die Stem (The Voice), once the anthem of apartheid, white South Africans haltingly sang



Nelson Mandela is sworn in as South Africa's first black president, formally ending more than three centuries of white rule

the words of Nkosi Sikelele l'Afrika (God bless Africa), the liberation hymn. Both are now official anthems.

Mr Mandela praised the man who opened the chapter which closed with yesterday's ceremony - Mr F.W. de Klerk, the outgoing president and yesterday installed as Mr Mandela's second deputy president.

"He has made for himself a niche in history. He has turned out to be one of the greatest reformers, one of the greatest sons of our soil," said Mr Mandela, speaking from a giant bullet-proof cage, where he stood flanked by Mr de Klerk and first deputy president Mr Thabo Mbeki.

Prince Philip, The Duke of Edinburgh, shared the fourth row of the impressive Union Buildings amphitheatre with US vice-president Al Gore, his wife Tipper and Mrs Hillary Clinton. Cuban President Fidel Castro, Palestinian Liberation Organisation leader Yasser Arafat, Israeli president Ezer Weizman, and United Nations secretary-general Boutros Boutros Ghali were also in the crowd.

Zulu King Goodwill Zwelithini was moved to a place directly in front of Mr Mandela when ANC officials realised they had failed to accord the monarch a central seat.

In the open parkland far below the imposing sandstone Union Buildings, a predominantly black crowd of at least 50,000 could see the proceedings only on a giant television screen.

After the ceremony, President Mandela treated thousands of guests to lunch before dropping in, by helicopter, to a celebratory soccer match between South Africa and Zambia, home to the

ANC in exile, and bringing the proceedings temporarily to a halt.

Back at the Union Buildings, even the policemen and soldiers began to relax and join in: military policeman stuck new South African flags in their gun holsters and a soldier read a comic book atop an armoured car. They were, for one day at least, Mr Mandela's "rainbow people".

ANC in exile, and bringing the proceedings temporarily to a halt.

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Airbus wins \$1.4bn Air Canada order

By Paul Betts, Aerospace Correspondent

Air Canada yesterday said it planned to buy up to 35 European Airbus A319 twin-engine, narrow-body airliners worth \$1.4bn to replace its fleet of old McDonnell Douglas DC9 aircraft.

The deal is a boost for the consortium, which lost out earlier this year to its two US competitors - Boeing and McDonnell Douglas - in a \$6bn Saudi Arabian civil aircraft order.

Air Canada rejected McDonnell Douglas's proposal to rebuild and re-engine the fleet of 35 DC9s to modern aircraft standards as a cheaper alternative.

Boeing had also competed for the deal with its 737 twin-engine, narrowbody airliner, while Fokker, the Dutch aircraft manufacturer controlled by Deutsche Aerospace, had offered its Fokker 100 jet.

Air Canada's decision is also a setback for UK aero-engine manufacturer Rolls-Royce, which was offering a derivative of the BR700 engine it is developing jointly with BMW of Germany as part of the McDonnell Douglas proposal.

The Airbus A319 engine is supplied by CFM International, the engine joint venture between

Continued on Page 16

Rivals say lobbying helped AT&T win \$4bn Saudi deal

By Andrew Adonis in London and Christopher Brown-Humes in Stockholm

Canadian and European telecommunications equipment suppliers which lost out to AT&T, the US company, in a \$4bn Saudi contract earlier this week claim political pressure by the Clinton administration cost them the deal.

The Saudi contract, one of the largest awarded in telecoms, provides for wholesale upgrading of the kingdom's telecoms network over the next seven years, including 1.5m new telephone lines and a new digital mobile cellular network.

AT&T hailed the contract as "a big boost to our globalisation efforts". It is a staging post in the attainment of the company's goal of increasing the non-US share of its equipment supply business from 30 to 50 per cent of total turnover by the end of the decade. The company declined to comment on the suggestion that political pressure had helped to win the deal.

The contract was bitterly

fought between AT&T and Siemens of Germany, Alcatel of France, Ericsson of Sweden, and Northern Telecom of Canada. All four non-US companies are believed to be aggrieved at the extent of lobbying by Washington on AT&T's behalf. Yesterday Ericsson claimed political factors had been "decisive".

The group said its offer had been lower than its competitors, although it declined to be specific. It noted AT&T's eventual order at 1.5m lines was bigger than specified in the original tender.

Mr Lars Ramqvist, Ericsson chief executive, said last year Ericsson was losing orders because of its lack of political clout. "We could easily double our revenues if we had the same political and financial muscle as our competitors," he stated.

Stockholm analysts said the US role in the Gulf war and President Bill Clinton's intervention in the contract talks had almost certainly helped AT&T clinch the order. But they believed Ericsson was well placed to recover from the setback, particularly when a

new batch of cellular mobile licences are auctioned in the US later this year.

The group played down the impact of the loss on its overall business.

"The value of this order corresponds to roughly 2 per cent of our yearly order intake; the volume of 200,000 lines per year should be compared to Ericsson's annual deliveries of around 10m lines," said Mr Bo Landin, a senior vice-president.

Mr Ron Brown, US commerce secretary, cited the contract as a prime example of the effectiveness of the Clinton administration's promotion of US business.

Mr Brown visited Saudi Arabia in the past year to press the cause of US suppliers - not only for the telecommunications contract, but also for \$6bn of aircraft orders won by Boeing and McDonnell Douglas.

The latest controversy follows strong complaints by European and other manufacturers at the pressure exerted by the US on trading partners.

Ericsson results, Page 15

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NEWS: EUROPE

Catalan chief names price for González

By David White in Barcelona

Mr Jordi Pujol, the Catalan leader, wants "substantial agreements" on economic, labour and regional policies as a condition for continuing to prop up Spain's minority Socialist government.

In an interview, he expressed confidence in the determination of Mr Felipe González's embattled government to tackle corruption. But he warned that if it failed to take effective action "we will have to withdraw our support".

Mr Pujol is the guarantor of the government's survival as Mr González tries to overcome a serious crisis brought about by a succession of corruption scandals involving members of his administration, including a former central bank governor and a former head of the Civil Guard.

Mr Pujol, who is president of Catalonia's regional government and of the Catalan nationalist party, Convergència i Unió, took a calculated gamble last week by reaffirming his backing for Mr González in the midst of the political crisis.

As long as his party's 17 deputies vote with the socialists, Mr González is assured of a narrow majority in the 350-member parliament. Mr González also received a pledge of support from the Basque Nationalist party, which is similarly conservative in its economic views and has five seats.

Mr Pujol set out four priorities:

- Further measures to support industry and exports, through tax policies. This would include backing for research and development and special assistance for small and medium-sized companies;
- Labour deregulation. Mr Pujol left open the question of whether additional measures would be needed after the government's current package of labour reforms, due to be implemented shortly. "We

have to see how it works in practice," he said.

• Transfers to Catalonia. Mr Pujol said he did not want to renegotiate the agreement reached last year under which 15 per cent of the income tax normally raised by the central government in Catalonia is remitted directly to the Catalan regional government. But he had specific demands on arrangements for financing the region's health system and the building-up of its own police force.

• Stemming corruption. Mr Pujol said he had demanded that the government "do everything to control corruption", and added: "I think it is doing it."

He made clear that despite his renewed support for the government he would not consider joining a coalition. Mr González said last week that a coalition - such as he tried to form after last year's general election - would provide more stability than a parliamentary pact. However, Mr Pujol said that being part of the government would leave his party with "no capacity for manoeuvre".

"The truth is that we can be more useful outside the government than inside it," he said.

He would not set any time-frame for his alliance with the socialists.

The two parties will confront each other in municipal elections next spring and in elections for the Catalan regional government in 1998.

"In two years we do not know what will happen," Mr Pujol said.

Mr González has, meanwhile, secured backing from his party to place one of his moderate allies, Mr Joaquín Almunia, as its new parliamentary leader, replacing the former economy minister, Mr Carlos Solchaga, who resigned last week.

Mr Almunia was labour and civil service minister in previous Socialist governments. Survey, Section II

EU curbs urged on cash card issuers

By John Gapper, Banking Editor

Central bank governors yesterday advised EU governments to prevent companies other than banks from issuing electronic cards which can be used as a substitute for cash. They said that this would help to protect consumers.

The European Monetary Institute council approved a study which called for only authorised credit institutions to be allowed to issue pre-paid cards. Banks hope that such cards may eventually take the place of notes and coins.

Several European banks and credit card issuers are working on schemes for multi-purpose cash cards which consumers could load with money electronically. They would then use the cards for small transactions in shops and retail outlets.

The report by the EMI's working group on EU payments systems is the first central bank response to the growth in schemes such as the Mondex initiative launched by National Westminster Bank, Midland Bank and British Telecom. It said that central banks would have to monitor the fraud prevention measures, and might have to act if these were not satisfactory.

Some EU states already have laws preventing companies which are not licensed credit institutions from issuing cash cards. However, an amendment to EU legislation might be required to ensure that this policy applied in all countries.

Although telecom companies and others now issue cards with cash values for limited uses, the central banks' proposals would only apply to "multi-use" cards which are intended as a near-perfect substitute for cash.

Banks in EU countries including Portugal, Denmark, Belgium and France are working on multi-use cash cards. Banks believe they could save substantial amounts if they were adopted by consumers because they would have to handle less cash.

Russian defence spending to surge

By Leyla Boulton in Moscow

President Boris Yeltsin, seeking to broaden his political support, has agreed to a 66 per cent increase in this year's defence budget in the biggest deviation yet from recent Russian fiscal commitments to the International Monetary Fund, according to a senior parliamentarian.

A member of the lower house of parliament's defence committee told reporters yesterday that the offices of Mr Yeltsin and the prime minister, Mr Viktor Chernomyrdin, had agreed to increase defence spending from Rbs33trillion to Rbs55trillion in the 1994 budget.

The increase appears to be part of efforts by the government to convince parliament to finally adopt a budget when it returns to the issue today.

Mr Yeltsin appears keen to boost his domestic popularity and develop a working relationship with the conservative parliament he shared in with elections and a new constitution last December.

But the increase in defence spending, if implemented, will run counter to the spirit of the recent pledges of fiscal rectitude made by Moscow to the IMF in return for release of the second half of a \$3bn (£2bn) reconstruction loan.

"If he cannot hold back the

defence spending, Chernomyrdin will suffer a big blow to his credibility," said Professor Anders Aslund, a former economic adviser to the Russian government.

Mr Chernomyrdin led the final round of loan negotiations with the IMF two months ago.

The parliamentarian, who declined to be identified, said the new defence figure was agreed during last week's parliamentary recess.

It had initially been negotiated between the president's national security adviser and the defence and interior ministries.

The increase followed an appeal last week by Mr Alexander Livshits, an economic aide to the president, for increased spending on defence factories and research institutes.

Mr Livshits said this was necessary to "compensate" for the government's failure to implement a policy of selective support for strategic factories and sectors.

He also sought to prepare the ground for such increases by calling on the international community to react with understanding to Russia's inability to keep promises on inflation and budget targets made to the IMF.

Mr Chernomyrdin had vowed to the IMF earlier this year that he would stick to a tight

money policy to drive down inflation, even if it meant bankruptcies of enterprises which were a drain on the rest of the economy.

Accordingly, he sent a memorandum to the IMF setting the 1994 budget deficit at Rbs33trillion - which, according to IMF officials, amounts, together with local budget deficits, to 8 per cent of GDP.

But last month the government agreed to further increases in agricultural subsidies which increased the deficit to Rbs58trillion. Unless cuts are made elsewhere in the budget, the new defence spending - much of it likely to be spent on new orders or subsidies to ailing defence plants - will increase the deficit to Rbs60trillion.

It is not clear how the IMF, which is due to consider further loans to Russia later this year, will react should the budget begin to diverge far from its promised target.

"We cannot control the government on a day to day basis," said one western official. "At the end of the day, it is up to them to deliver as best as they are able to. The IMF can always give them absolute but then there is the day of reckoning, and that is without appeal," he said, referring to the potential damage of putting off economic adjustment for very much longer.



Russian Orthodox Bishop Feofan conducting a service at the Soviet second world war memorial in Berlin yesterday

Zil says it's back in business

By Leyla Boulton

Zil, Russia's ailing truck manufacturer, said yesterday it had reopened after a 10-day stoppage and much political future over its troubles.

Executives at Zil, a Moscow-based enterprise with an old-style management and 85,000 employees, said they proposed to reverse the company's fortunes by focusing on recovering money from its debtors in the former Soviet Union, and expanding its range of vehicles.

They also said Zil would take long-overdue steps to trim its work force.

Rather than begin painful restructuring and lower their prices to attract customers, many enterprises, including

Zil, have so far successfully put pressure on the government to give them soft loans by threatening to close down.

As part of the lobbying process, various ministries have issued dire warnings of imminent closures and mass layoffs, even if it is exactly such results that the government has sought to achieve.

One illustration of continuing extravagance at Zil is provided by the fact that it still runs one of the best hospitals in Moscow.

A recent patient was Mr Anders Aslund, a Swedish

adviser to Russian radical ministers who were forced out of office last winter. Mr Aslund had long advocated bankruptcy proceedings for poorly performing companies such as

Zil. Zil had earlier insisted that it needed cheap credits to reopen but these were not mentioned by its executives yesterday.

However, Professor Yevgeny Yasin, the newly-named economic adviser to President Boris Yeltsin, told the Financial Times that Zil had managed to secure financial support from the Moscow mayor's office.

Mr Yuri Luzhkov, the mayor, is fundamentally opposed to the radical restructuring and privatisation policies pursued by the government.

It was not clear yesterday how the Moscow city authorities, who frequently complain that the city is bankrupt, had managed to find money for Zil, but the mayor was clearly

unhappy at the prospect of the closure of such a large industrial enterprise on his doorstep.

Prof Yasin stressed that the Russian government could not have afforded to help Zil out. Zil was an exceptional beneficiary because the Russian government, unlike the Moscow authorities, could not afford such help for other troubled flagships of the former Soviet industrial machine.

He also distanced himself from comments by a less senior presidential aide, Mr Alexander Livshits, who last week called for new financial injections into ailing enterprises to "compensate" for the government's tight money policy and to prevent mass unemployment.

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*I: 2 6 11 16 19 35 39 43 49 51
70 73 74A 78A 80 85

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SAUDI ARABIA

The Biggest and Fastest Growing Market in the Middle East

Items of Interest for Imports (I) and Exports (E) (Excluding Crude Oil)

The following activities of Saudi companies are indicated in the accompanying panel marked with *

- | | |
|---------------------------|-----------------------------|
| 1 ADVERTISING AGENCY | 46 MARINE SURVEY & EQT. |
| 2 AGRICULTURE & EQT. | 47 MATERIAL HANDLING EQT. |
| 3 AIR COMPRESSORS | 48 MEDICAL & LAB. EQT. |
| 4 ALUMINUM CASTINGS | 49 MILITARY SUPPLIES |
| 5 AUCTIONEERS | 50 MINING EQUIPMENT |
| 6 AVIATION | 51 MOTOR CARS/TRUCKS |
| 7 BABY PRODUCTS | 52 OPERATION & MAINT. |
| 8 BEVERAGES & EQT. | 53A OFFICE EQUIPMENT |
| 9 BUILDING MATERIALS | 53B OILFIELD SERVICES |
| 10 CAN & END MFG. | 54 ON/OFF SHORE SERVICES |
| 11 CATERING | 55 PACKAGING |
| 12 CC TV SYSTEMS | 56 PAINTS |
| 13 CHEMICALS | 57 PAVING PRODUCTS |
| 14 COATINGS | 58 PHARMACEUTICALS |
| 15 COMMERCIAL REP. | 59 PLASTICS |
| 16 COMMERCIAL TRADING | 60 POWER CABLES |
| 17 COMPUTERS & FORMS | 61 POWER DISTN. TOWERS |
| 18 CONSTRUCTION & EQT. | 62 PROJECT MANAGEMENT |
| 19 CONTRACTING | 63 PUBLICATION DISTRIBUTION |
| 20 COPPER & ALU. RODS | 64 PUBLISHERS AGENTS |
| 21 COSMETICS & PERFUMES | 65 PUMPS/DRILLING EQT. |
| 22 DAIRY / ICE CREAM | 66 PVC COMPOUNDS |
| 23 ELECTRO MECHANICAL | 67 REAL ESTATE |
| 24 ELECTRONIC EQT. | 68 RECYCLING |
| 25 FIBRE OPTICS | 69 REFRIGERATION |
| 26 FOAM LAMINATE | 70A RICE |
| 27 FOOD PROCESSING | 71 SAFETY & SECURITY EQT. |
| 28 FOOD STUFFS/LIQUIDS | 72 SECURITY SYSTEMS |
| 29 FURNISHING & FABRICS | 73 SHIPPING |
| 30 GARMENTS | 74 SOLAR ENERGY |
| 31 GENERAL TRADING | 74A SPARE PARTS (AUTO) |
| 32 GENERATORS | 74A SPL. TEXTILE TREATMENT |
| 33 GLASS | 75 STEAM BOILERS |
| 34 GLASS MAKING | 76 STEEL & FABRICATION |
| 35 HEALTH CARE & PRODUCTS | 77 STREET LIGHTING COLUMNS |
| 36 HOUSEHOLD ITEMS | 78 SUBSCRIPTIONS |
| 37 INDUSTRIAL ENGINES | 78A SUPERMARKET SUPPLIES |
| 38 INDUSTRIAL MFG. | 79 TELECOM CABLES |
| 39 INSPECTION SERVICES | 80 TELECOM & TOWERS/MASTS |
| 40 INSURANCE | 81 TEXTILES |
| 41 JEWELLERY & DIAMONDS | 82A TOOLS & HARDWARE |
| 42 JOINT VENTURES | 82B TRANSPORTATION |
| 42A LUMINAIRES/LIGHTS | 83 TRAVEL & TOURISM |
| 43 MACHINERY/HEAVY EQT. | 84 TYRES & BATTERIES |
| 44 MANPOWER SERVICES | 84A WASHING MACHINES |
| 45 MARBLE | 85 WATER TREATMENT |
| | 86 WOODEN REELS & PALLETS |

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Public monitors 'abused office'

Anti-corruption magistrates in Rome have requested that 16 senior members of the court of public accounts, the 132-year-old judicial body monitoring public spending, be sent for trial on a string of charges related to abuse of office and falsifying documents. The charges involve Mr Giuseppe Carbone, the court's chairman, and Mr Emilio Di Giambattista, the chief prosecutor, and relate to allegations of tampering with evidence in some of the most sensitive financial scandals of recent years. Mr Carbone has claimed the accusations are designed to discredit the operations of the court or relate to investigations that have already been shelved.

The investigations began more than five years ago when two magistrates renowned for their zeal spoke out in the court, saying they were being forcibly transferred in order to stifle an investigation. An enquiry was opened only to be quietly shelved. The cases allegedly tampered with included investigations into the conduct of the state-run railways in the 1980s, the 1987 election controlled by Mr Leonardo (assassinated in 1989), and the Enimont affair, to pronounce on the price being paid by ENI, the state oil concern, for its purchase of the stake held by Ferruzzi-Montedison in their joint chemicals venture, Enimont. The court said the price was fair even though the market claimed it was 20 per cent higher than necessary. *Robert Graham, Rome.*

Germans in beef ban row

A row between German ministries could delay any decision today on unilateral action to ban British beef imports because of popular German fears about human infection with "mad cow disease". The German health ministry insisted yesterday that it was pressing its case for an import ban on public health grounds, but other officials suggested the issue might be postponed pending further negotiations in Brussels. The foreign ministry, economics ministry and agriculture ministry have all expressed doubts over the practicability of introducing a unilateral ban on British beef imports, and over its political and legal consequences. One senior diplomat said the idea of stopping British beef imports - which total more than 2,500 tonnes a year - would be "to close the Channel". The German farmers' union has also argued that it would be impossible to control. A health ministry official said yesterday that veterinary experts from the 16 federal states had agreed unanimously that the ban - on all cattle over three years old - could be enforced. *Quentin Peel, Bonn.*

Kohl to back land deal

Chancellor Helmut Kohl's governing Christian Democrats are close to a compromise agreement to allow former landowners in eastern Germany the right to buy back some of their property in the five eastern states. The agreement would end a bitter dispute within the CDU's ranks and pave the way for investment and restructuring of agriculture in eastern Germany. Under the terms of the compromise reached this week between eastern and western German CDU parliamentary deputies, former landowners will be eligible to buy back, at reduced price, some of their property. It is estimated that only 1,000 of the 14,000 former owners will take advantage of this compromise. Until now, the 1990 unification treaty had legally barred former owners whose property was expropriated by the Soviet authorities between 1945 and 1949 from any restitution or compensation. At the same time, the CDU is planning to increase from about DM12bn to DM19bn a compensation fund for people whose property was confiscated between 1933 and 1945 and between 1949 and 1990. *Judy Dempsey, Berlin.*

UN issues warning to Serbs

The United Nations yesterday said Bosnian Serb forces were flouting terms of a UN "safe area" accord in the Muslim enclave of Gorazde and warned them not to test UN/Nato resolve. UN special envoy Yasushi Akashi had written to Bosnian Serb leader Radovan Karadzic to try to reverse "a deterioration" of conditions inside Gorazde's 20km weapons exclusion zone, a UN spokesman said. Foreign ministers of major western powers and Russia will meet in Geneva on Friday to discuss new peace moves for Bosnia but there seems little hope they will find a quick way to end the war, diplomats in Geneva said yesterday. Meanwhile, the Yugoslav news agency Tanjug reported that Muslim units started shelling the northern Bosnian Serb-held town of Brcko with heavy shelling. There was no independent confirmation. *Reuter, Zagreb.*

Iraq to repay debt in oil

Iraq has agreed to repay a \$1.5bn debt to Bulgaria, mostly with oil supplies, after the United Nations embargo is lifted, Bulgaria said yesterday. The debt was run up under the old communist regime when Bulgaria, like other countries in eastern Europe, supplied Iraq with arms and other goods on credit during the war with Iran. Under an agreement signed in 1990, Iraq was to cover part of its debt by supplying Bulgaria with 4.75m tonnes of oil by 1994 but the invasion interrupted the deal. *Reuter, Sofia.*

Satirist blocks Schneider credit

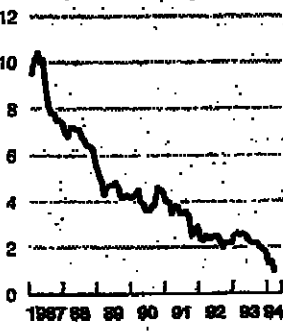
A journalist from a German satirical magazine has cut off fugitive real-estate tycoon Juergen Schneider from one source of cash - by ringing up Schneider's credit card company and cancelling his account. The magazine *'Titanic'* said journalist Bernd Fritz had telephoned the Eurocard company and blocked the account by giving Schneider's name and date of birth. Mr Detlev Buchal, Eurocard's managing director, said it was not easy to block an account. Mr Fritz had given Schneider's date of birth, address, bank account and private and office telephone numbers. Mr Fritz said he had just named a bank at random. Eurocard said the name of the bank had in fact been correct. *Titanic* said it planned to build on the Schneider experience by blocking accounts of other prominent politicians and businessmen. *Reuter, Frankfurt.*

ECONOMIC WATCH

Norway's inflation falls below 1%

Norway

Inflation (annual % change)



Source: Datastream

gional 20 per cent to an accumulated Ptas99bn (\$2.9bn) in the first four months of 1994. This compares with Ptas74bn in the same period of 1993 and follows a surprise surplus of around Ptas14bn in April, the Finance Ministry announced yesterday.

■ The Bundesbank yesterday revised German M3 money supply growth through March to a seasonally adjusted and annualised 15.4 per cent rate from the preliminary 15.2 per cent rate reported last month.

■ The National Bank of Poland lowered its obligatory rate at reverse repurchase auctions by 0.5 percentage points to 26.5 per cent for one day deals. This signals that official interest rates will be cut, a senior banker said yesterday.

■ French industrialists expect an increase in investment this year of 3 per cent in value terms following a 15 per cent drop in 1993, the National Statistics Institute said yesterday.

Other parties have doubts but none flirt with ideas of a withdrawal from European Union

Tory Euro-debate echoed on Continent

By Lionel Barber in Brussels

The ruling British Conservative party's dance of death over Europe is being watched with a mixture of bemusement and trepidation inside the European Union.

Experienced diplomats in Brussels find it hard to fathom the self-destructive streak inside the Tory party; but there is a grudging admission that, however distorted the British debate on the pace of European integration, there are echoes on the Continent.

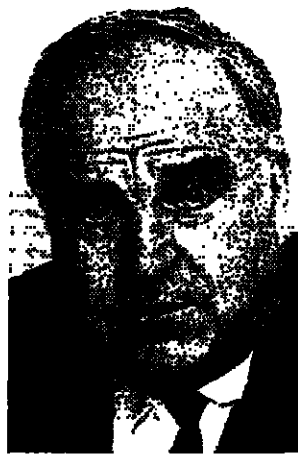
Whether these echoes portend a profound constitutional debate on the future of Europe remains an open question; but the evidence suggests that the UK Euro-sceptics are far from isolated.

In Italy, the new Berlusconi government unveiled last night included Mr Antonio Martino, a Chicago school economist and prominent opponent of a single European currency, as foreign minister.

In France, the Balladur government has bashed "Brussels" ever since it came to power last year. Mr Jacques Delors, President of the European Commission, complained this week that his fellow Socialists were deliberately ignoring Europe's successes in the European parliamentary election campaign.



Edonard Balladur: Brussels bashing



Helmut Kohl: pro-Europe campaigning



Jacques Delors: Europe's successes ignored



Raymond Seitz: US wants an integrated Europe

peign. In Germany, Chancellor Helmut Kohl has chosen to fight an election campaign on a theme of more, not less Europe; but the jury is out on whether this pro-European message will deliver a winning hand.

Yet it is important to stress that none of the mainstream parties or political figures in Europe have veered so far as the Tory Euro-sceptics in flirting with withdrawal from the European Union.

Nor has there been a call for a referendum on a single Euro-

pean currency, or a plebiscite on the outcome of the 1996 inter-governmental conference to review the Maastricht treaty.

Reluctance to embrace the idea of a referendum is linked to the painful process of securing ratification of the Maastricht treaty.

When the Danes rejected Maastricht two years ago, the crisis was compounded by the wafer-thin support in the French referendum three months later. "The lesson from France and Denmark is that people do not vote on the ques-

tion of a complicated international treaty, they vote on something else."

In Brussels, the right-wing Tory campaign for a referendum on a single currency looks like tilting at windmills. Even ardent supporters of European monetary union concede that the prospects for EMU being achieved by the first target date of 1997 look remote - though that does not mean that the goal has been abandoned.

Similarly, British calls for a referendum on the results of the 1996 intergovernmental

conference reviewing the Maastricht treaty look premature - the result of factional party infighting rather than a calculation of vital British national interest.

"How can you support a referendum on a conference where the outcome is completely unknown?" said one senior Eurocrat in Brussels yesterday.

A senior German official warned, however, that if Tory Euro-sceptics continue to drive British policy on Europe, the 1996 conference would be a write-off. That would upset

plans to deepen co-operation on immigration, crime and justice affairs, and it would make it much more difficult to plan for the admission of the central and East Europeans - both of which are Anglo-German priorities.

Moreover, debate in the UK appears to assume that 1996 will be a "Big Bang" conference which will deepen integration. Yet in Europe, senior French and German diplomats make no such assumption. "The public is simply not ready," said a French official.

Lastly, neither the pro nor anti-Europeans appear to have taken sufficient note of US views on the desirability of European integration. These were expounded by Mr Raymond Seitz, outgoing US ambassador to the Court of St James.

Mr Seitz, a noted Anglophile, made clear that the US wants the UK fully involved in Europe. He offered little hope of Britain standing on the margins dreaming about a special relationship with the US or even membership of the Nafta free trade accord.

Characteristically, his farewell speech received little attention in the British media.

Sleeping in Business Class.
A brief history.

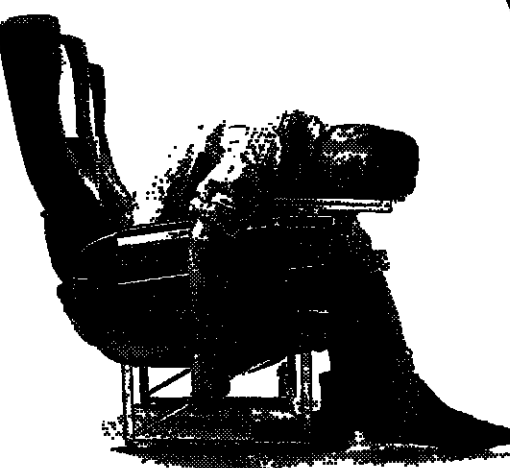
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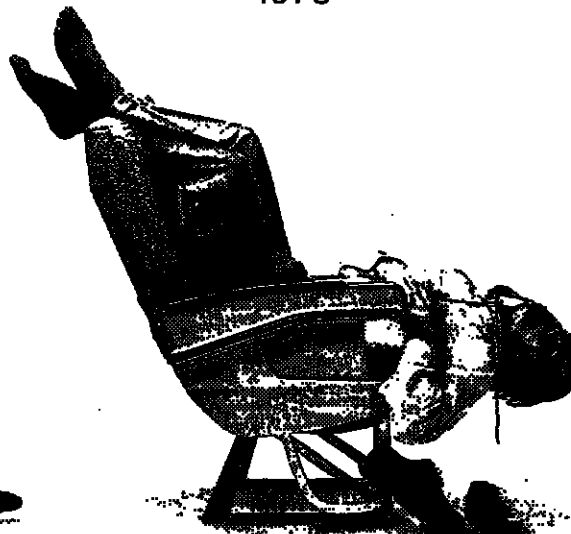
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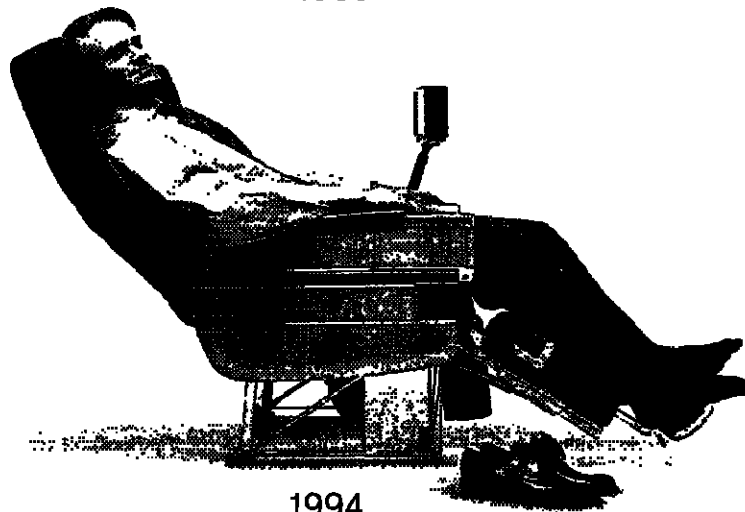
1985



1989



1990



1994

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Indian central bank aims to curb inflation

By Stefan Wagstyl
in New Delhi

The Reserve Bank of India is set to move against soaring inflationary pressures at its board meeting this Saturday.

But with industry only beginning to recover from two years' stagnation, Mr C. Rangarajan, the governor, and his colleagues will be reluctant to clamp down on the supply of funds to business.

"The RBI is in a difficult position. It is worried about inflation and lack of private investment in the economy,"

says Mr S.L. Rao, director of the National Council for Applied Economic Research, an independent think-tank.

Figures this week show the inflation rate has risen to its highest level since July 1982, with the wholesale price index for the week ending April 16 showing an annual increase of 11.1 per cent. Prices have been pushed up by financial pressures and shortages in specific commodities, caused by poor harvests.

The main financial pressure has been increased borrowing by the government which saw

the fiscal deficit for the year ending in March rise to 7.3 per cent of GDP, against a target of 4.7 per cent. The target for the current year is 6 per cent. Inflationary effects have been compounded by the large inflow of foreign capital into India's financial markets, helping to take foreign exchange reserves to a record \$18bn (\$7.6bn).

Mr Manmohan Singh, finance minister, said last week he expected the inflation rate to fall after the next three months, because the current rate of increase has been influ-

enced by a round of rises in government-administered prices for fuel and other commodities early this year.

Inflationary pressures tend to ease in the autumn, when crops are harvested in many regions.

The authorities are under pressure from industry to keep down the cost of credit. Latest figures for industrial production at first glance appear to show strong advances, with a year-on-year rise of 6.7 per cent recorded in December; preliminary estimates indicate gains of 7.2 per cent and 7.6 per

cent in January and February. But these figures, which follow marginal gains of 2 per cent or less in earlier months, exaggerate the improvement, because industry was hit by unrest following the destruction of the Ayodhya mosque in the same months in 1992-93. There was an underlying gain in output, but it was more modest.

One factor complicating the RBI's discussions is that demand for credit has been generally weak. Large companies have been raising capital in domestic and international

markets and using it, not for new investments, but for paying off expensive loans. The banking system is awash with excess liquidity.

A tightening of credit policy, through an increase in interest rates or curbs on loans, may have little effect. The central bank's other main option is to increase the cash reserve ratio.

The RBI board usually sets credit policy in six-month cycles. But because of delays in forming the present board, this week's meeting - for the period up to the end of September - is being held late.

Political rift in Lebanon jolts currency

By Mark Nicholson in Cairo

The paralysing stand-off between Mr Rafik Hariri, Lebanese prime minister, and President Elias Hrawi further jolted confidence in the country's currency yesterday - forcing the central bank to sell an estimated \$30m in US dollars for the second day running in local markets to hold the pound steady.

The row between the leaders, ostensibly over who to appoint in a cabinet reshuffle intended to boost Christian representation in government, appeared likely to prompt direct intervention from Syria, which exerts considerable influence in Lebanon. Local commentators said the dispute does not now look resolvable without a wholesale change in Mr Hariri's 19-month-old administration.

Mr Hariri, the Sunni businessman appointed prime minister by Mr Hrawi in 1992 to revive confidence in the country after its 17-year civil war, remained ensconced at home yesterday, having "withdrawn" from his duties at the weekend after the dispute with Mr Hrawi, a Christian, and Mr Nabih Berri, the Shia speaker of parliament.

Both Mr Berri and Mr Hrawi appear to have opposed Mr Hariri's plan to bring into the 30-member cabinet two senior Maronite Christians in a gesture his supporters say was intended to "enhance internal unity" amid deepening bitterness in the Christian community over Mr Hariri's government style and their perceived political marginalisation.

However, neither Mr Hrawi nor Mr Berri approved the man suggested; politicians in Beirut said both wanted a far wider cabinet shake-up than Mr Hariri had proposed, though neither was apparently pressing for the prime minister's resignation.

The politicians said the row

arose from a more general accusation that Mr Hariri has appointed close aides to critical ministries - to which Mr Hariri's backers have responded by accusing some ministers and other senior political figures of "hijacking" and "redacting" Mr Hariri's ambitious multi-billion-dollar rebuilding plans for Beirut with their "private interests".

Politicians say the row arose because Mr Hariri has appointed close aides to critical ministries

They also suggested Mr Hariri had not been able to win "basic" ministerial co-operation with the present cabinet.

The row, the most serious yet between Mr Hariri and Mr Hrawi, comes amid a more general souring of the optimism which initially greeted the bilateral businessman's arrival in Beirut.

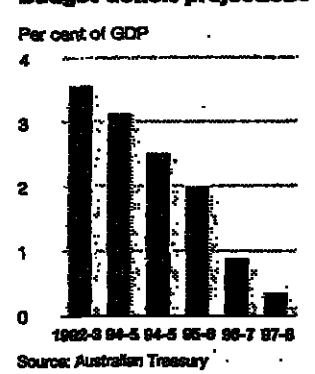
Although the flotation earlier this year of Solidere, the company created to rebuild the city's shattered core, was a success, share distribution has since been delayed and the company this week said it would take at least "another month" before reconstruction work can begin.

Last week, Banque Audi also said in its economic bulletin that growth in the first quarter had slowed and that only a "huge investment effort" would revive output.

Money in the country, the report said, was increasingly being directed into money market placements rather than productive enterprises, partly the result of high interest rates on the Lebanese pound.

Australia budgets for privatisation pay-off

Budget deficit projections



By Nikid Tait in Sydney

Australia's treasurer Mr Ralph Willis yesterday delivered a budget for the 1994-95 financial year which drew heavily on Australia's recent surge in economic growth and expected about \$2.4bn (\$1.15bn) worth of asset sale proceeds.

Financial markets were watching to see what economic assumptions the government used to underpin its forecasts. In the event, Mr Willis took a fairly generous, by no means outlandish, tack, suggesting GDP would grow 4.5 per cent

in 1994-95, against 4 per cent in the current financial year.

Employment, he suggested, would increase about 3 per cent, roughly in line with market expectations, while unemployment should drop to about 8.5 per cent by June 1995, against 10.3 per cent at present. Inflation should average 2.5 per cent in 1994-95.

The budget predicted the government deficit for the current financial year would be \$2.4bn, \$2.4bn less than originally forecast; next year's deficit should roll out at \$1.7bn (2.5 per cent of GDP).

The government believes it is still on course to have the deficit down to 1 per cent of GDP by 1996-97. Mr Willis said the figure should now come in at 0.9 per cent, with Australia moving into surplus shortly after that.

He also predicted business investment, which has lagged in the current recovery, would grow 14.5 per cent next year. Such an upsurge could affect imports, but the current account deficit should increase "only slightly".

The government's main new spending programme (the

\$38.5bn jobs package) was outlined in a White Paper last week. Among the few new other expenditure items was the \$41.5bn "land fund" for Aborigines who do not benefit directly from the new Native Title legislation, although the contributions will be spread over 10 years. Mr Willis also unveiled some significant increases in health spending.

On the income side, the government plans to raise more than \$2.4bn from asset sales, notably the disposal of its remaining 75 per cent in Qantas, the Australian airline.

But in general, it hopes the higher tax revenues stemming from the economic recovery, and a tightening of tax recovery, will fund expenditure measures and keep the deficit reduction strategy on track. Earlier fears that there would be either a jobs levy or an increase in the Medicare levy were not borne out.

Ms Cheryl Kernot, leader of the Australian Democrats (one of the minor parties holding balance of power in the Senate) describing the budget as a "bread water" one drafted with a view to the next election.

Aid for African refugees sought

The United Nations High Commissioner for Refugees yesterday appealed for \$58.7m (\$37.9m) to cover the urgent needs of 800,000 refugees who have fled ethnic strife in Rwanda and Burundi, writes Frances Williams in Geneva.

The appeal is intended to cover food, drinking water, shelter and sanitation over the next three months for refugees now in Tanzania, Burundi, Zaïre and Uganda.

Two weeks ago, in the largest and swiftest exodus UNHCR has ever seen, some 250,000 people surge into north-western Tanzania in the space of 24 hours.

The UNHCR, which has set up a makeshift camp at Bencoe 18km from the Rwandan border, says it is still receiving 400-1,500 new refugees each day. Children make up half Bencoe's 250,000 population.

Only last week UNHCR said it would need \$98.5m for refugee aid, but the agency has revised upwards its immediate requirements as the numbers escaping the civil war in Rwanda continue to grow.

Separately, Canada has asked for a special session of the UN Human Rights Commission to discuss the atrocities in Rwanda, where up to 200,000 may have died in recent weeks. If agreed by a majority of the 53 members, the commission will meet later this month in Geneva.

The US, in its military involvement in Africa since pulling out of the bloody 15-month operation in Somalia, announced yesterday it had started flying relief supplies to Rwandan refugees in Tanzania, Reuters adds.

The US embassy in Nairobi said 15 Starliner C-141 military planes were flying relief supplies to nearly 850,000 Rwandan refugees in Tanzania and Burundi. It said further flights were possible.

Palestinian police enter Gaza Strip

The first group of Palestinian policemen crossed from Egypt into the occupied Gaza Strip yesterday under the Israeli-PLO peace accord and started making preparations to take over security from withdrawing Israeli soldiers, Julian Ozzanne reports.

The 30 policemen, some veterans of wars with Israel, were greeted by some 300 Palestinians waving the national flag who had evaded Israeli roadblocks to welcome them. Israeli soldiers and police tried to keep things calm after violence erupted on Monday when several hundred Palestinian youths became unruly as they got increasingly frustrated with the delay in the policemen's arrival.

A further 200-300 Palestinian police, waiting on the Egyptian side of the border, were expected to cross into Gaza last night and today after a two-day delay and confusion on both sides. Some 270 policemen remain camped on the Jordan-Israeli border waiting to enter Jericho - the future seat of the Palestinian administration. Israeli officials said they could enter Jericho this morning.

France in push for aid to Algeria

By David Buchanan in Paris

France has redoubled its promises to try to win the Algerian government an increase in new international aid and a decrease in the burden of repaying old aid, amid new evidence that France is being used as a conduit for arms to anti-government rebels in Algeria.

Mr Ahmed Benbitour, Algerian finance minister, met his French counterpart, Mr Edmond Alphandery, this week to discuss the preparation of Algeria's formal agreement with the International Monetary Fund, next week's discussion by European Union finance ministers of the unblocking of a \$1.5bn (\$1.15bn) loan by the EU to Algeria, and the Paris Club meeting of Algeria's official creditors in late May or early June.

Mr Alphandery told Mr Benbitour that, once it settles debt-relief terms with the Paris Club, Algeria will get new bilateral aid from France, probably equivalent to the FF60m (\$89.7m) credit Paris granted last year.

The French finance minister has written to other members of the Group of Seven, asking them, especially the US and Japan, to give Algeria maximum debt relief. Algeria is said to want to reduce by \$40m (\$31m) its 1994 debt service bill of \$825m.

The anti-terrorist unit of the French police yesterday took custody of an Algerian arrested last Friday in eastern France.

He was said to have with him an arsenal of weapons in his car, including, apparently, 120 sticks of explosive, 99 detonators, 5,000 rounds of ammunition, three automatic pistols, one assault rifle, night-vision and walkie-talkies.

He was suspected of smuggling the arms from Germany to Algeria, probably to Islamic militants there.

But so far the French interior ministry remains convinced that the Islamic Salvation Front's hold over the large Algerian community is relatively slight.



Eddy Tansil (left) leaves a Jakarta court yesterday at the start of a trial of six suspects accused of involvement in a \$430m (\$204m) letter of credit scandal. Tansil, head of the Golden Key petrochemicals group, could be sentenced to life imprisonment if convicted of violating banking laws. Fifty-five witnesses are expected to be called. Wahono, the House speaker, told parliament's opening session on Monday the scandal was merely the tip of the iceberg and that much of the country's corruption had yet to be exposed.

Labour faces Histadrut defeat

By Julian Ozzanne in Jerusalem

Israel's governing Labour party looked set for defeat last night in nationwide elections for leadership of the country's biggest trade union federation, at the hands of Mr Haim Ramon, a former Labour minister set on breaking the mould of Israeli politics.

Opinion polls showed Mr Ramon, a young politician touted as a possible successor to Prime Minister Yitzhak Rabin, was well ahead of Labour incumbent Mr Haim Haberfeld, 62, and Mr Shimon Peres, the 70-year-old foreign

minister. They also want to break the Histadrut's stranglehold on Labour party policy and speed Israel's transition from socialism to the social market.

Mr Ramon, in coalition with the left-wing Meretz bloc and the ultra-orthodox Shas party, has focused his campaign on social issues and vowed to curb the Histadrut's huge bureaucracy.

The popular Tel-Aviv born lawyer, once a close adviser to Mr Rabin, quit the cabinet after it withdrew his health bill which sought to break the link

between Histadrut membership and the national health service. The bill was abandoned by Mr Rabin after intense pressure from the Histadrut, nervous about its dwindling power.

Polls published yesterday showed Mr Ramon's list, dubbed "NewLife", would emerge as the largest bloc in a three-way split between Ramon, Labour and the right-wing coalition formed of the Likud and Tsomet parties. If Mr Ramon does not win a majority, he will be forced to form a coalition.

Manufacturer's Association, said yesterday the 8 per cent inflation target was unrealistic and would defeat the government's main aims of stimulating growth and fighting an unemployment rate of more than 10 per cent.

"There will be a negative impact on investment, on the rate of exchange and therefore on exports," he said. "We are going to lose the momentum of growth and not gain anything."

Mr Proper also hit out at Mr Jacob Frankel, governor of the Bank of Israel, saying: "The problem is that the Bank of Israel wants to show independence at the expense of the economy."

Interest rate increase attacked

Israel's banking and business community yesterday attacked Monday's 0.5 per cent hike in interest rates and warned the central bank's action would damp economic growth, harm exports and hinder private investment, writes Julian Ozzanne.

Israel's finance ministry, deeply critical of an earlier interest rate rise, made no public comment but officials said the minister was furious with the independent move by the Bank of Israel.

The Bank of Israel raised its prime lending rate from 10.5 to 11 per cent to reach this year's annual inflation target of 8 per cent. Inflation last year was 11.3 per cent

and bank officials said data from the first four months of this year showed inflation was running at about 10 per cent. Members of the Knesset (parliament) and finance committee demanded the central bank lower interest rates by 1 per cent.

They are preparing a law according to which all future interest-rate decisions will be taken jointly by the central bank and Finance Ministry.

Mr Dan Tichon, a member of the committee, said: "To prove it exists, the central bank is punishing the business sector and preventing continued growth by unjustified rises in interest rates."

Mr Dan Proper, chairman of the Israeli

Minister's Association, said yesterday the 8 per cent inflation target was unrealistic and would defeat the government's main aims of stimulating growth and fighting an unemployment rate of more than 10 per cent.

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Nigeria wonders when its turn will come

By Paul Adams in Lagos

While the Nigerian military leadership was in Pretoria to witness the start of South Africa's majority rule, many of Nigeria's 88m people were at home wondering when their turn would come.

Nigerians' admiration for South Africa's transfer of power is mixed with realisation that South Africa can now claim the title to which Nigeria has long aspired: foremost black African state. Mr Mandela's inauguration is poignant for Nigeria, which has championed black majorities in southern Africa more successfully than it has resolved its own political problems.

Nearly seven months after Gen Sani Abacha seized power, promising a swift transition to



Abacha: promised democracy

lasting democracy. Nigeria is no nearer civil rule than when the armed forces took over a decade ago. "I wish Abacha had worn army uniform instead of the agbada (traditional dress) to show the world we have military rule," said a Nigerian after watching the inaugura-

tion on television. There will be no political activity until next year at least, after a national constitutional conference, supposed to be starting on June 27, has debated and passed its recommendations to the government before the drafting of a new constitution.

Until next year, political parties are illegal, all democratically-elected institutions are dissolved, and all political activity is banned.

The conference was Gen Abacha's idea. Many hoped it would be a sovereign conference in which Nigerians could resolve some of the country's political problems, not least the role of central government and minorities representation.

But the goodwill evaporated as the government delayed the start date for the conference and began to limit its scope

and powers. The Campaign for Democracy (CD) has refused to share in or support the conference and has called for a boycott of the election of 270 delegates, due to start on May 23.

"This conference is a ruse, designed to buy time for a military regime in no hurry to go," says Mr Sylvester Odion-Akhaiye, the CD's general secretary in Lagos. "The regime has removed all substance from the conference. If the government disapproves of any of the elected delegates, it can replace them at any stage. How can the divergent views of a country like Nigeria coalesce when a ban exists on all pre-conference political activity?"

Information Minister Jerry Gana denies this charge. "The constitutional conference is definitely not a ploy to buy time; we believe we are

answering the yearnings of Nigerians," he said recently.

Since then, Gen Abacha has said his Provisional Ruling Council will vet the outcome of the conference's report. Mr Aminu Saleh, secretary to the government, has said the final report of the conference will be written by a commission appointed by the military.

That commission will in turn report to a political bureau, to be appointed by the regime, which will draft the constitution. "The so-called constitutional conference is unnecessary," says Mr Moshood Abiola, who won the majority in last June's annulled presidential election. "We don't need it because when you have held an election, the next step should be the formation of an elected government. We have not had that."

Japan stuck in economic mire

By William Dawkins in Tokyo

Japan's economy continues to be generally sluggish, according to the latest monthly report of the government's Economic Planning Agency.

The economic decline passed its 37th month in April, the longest downturn in post-war history, showing almost no change from the previous month.

The economy "is going through an adjustment phase, and showing an overall slump, though there are some bright signs," said the EPA, using the same phrase as last month's report.

The agency - over-optimistic about the recovery outlook last year - has in recent months become more pessimistic than some other official government forecasters, especially the Bank of Japan,

which believes that the conditions for an upturn are falling into place.

Among the bright signs highlighted by the EPA were the continued strength in housing starts at 1.5m per month, an apparent end to the decline in corporate confidence and an upturn in personal spending.

However, Mr Yoshio Teresawa, the EPA's new director general, warned yesterday that the impact of the year's recent rise was "extremely severe". Recovery prospects are weakened by the continued fall in corporate earnings down four years in a row as the annual results season will confirm over the next few weeks. Industrial output continues to fall, though companies are making progress in cutting stocks of unsold goods, said the EPA.

Car imports hit a peak in Japan

By Kevin Done,
Motor Industry Correspondent

Imported cars captured a record 3.4 per cent share of the Japanese new car market in April, figures released yesterday by the Japan Automobile Importers' Association show.

Sales of imported cars rose last month by 55.1 per cent year-on-year to 21,856, in contrast to the continuing decline in the overall Japanese new car market, where total car sales fell 6.1 per cent to 259,249.

The volume of imported cars is being increased significantly by rising imports to Japan from Japanese vehicle makers' overseas plants. Total imports of Japanese-badged cars jumped 61.5 per cent to 5,459 from 3,381 a year ago.

Overall, new car sales in Japan have fallen for three years in succession from 5.1m in 1990 to 4.2m last year; total new vehicle sales declined by a further 5.9 per cent year-on-year in the first four months this year. By contrast, sales of

imported vehicles in the first four months jumped 37.6 per cent year-on-year to 86,662, including a 28 per cent increase in sales of imported cars to 78,826 cars.

The recovery in sales of imported cars began already last year with an increase of 7.5 per cent to 186,090 following two years of decline, and the growth rate has accelerated this year. In the whole of last year, imported cars accounted for 4.6 per cent of the total Japanese new car market.

Sales of German cars rose 26.6 per cent year-on-year in April to 9,894, including increases of more than 40 per cent by BMW, Volkswagen and Audi. Sales by Rover group of the UK jumped a third in April, while the Swedish car-makers Volvo and Saab doubled their sales year-on-year.

Sales of imported cars from the US rose 46.3 per cent to 6,694; over half this total was accounted for by cars imported by Honda and Toyota from their plants in North America.

Gatt launches drive to find new chief

By Frances Williams in Geneva

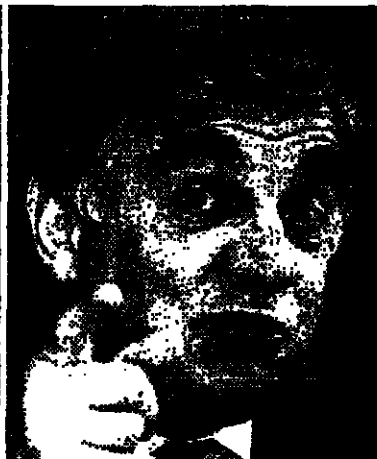
The General Agreement on Tariffs and Trade yesterday formally launched its hunt for a successor to Mr Peter Sutherland, who plans to stand down from Gatt's top job at the end of this year.

The successful candidate will become the first director-general of the new World Trade Organisation which will absorb Gatt in 1995. However, he or she will be selected under current Gatt procedures. Mr Andras Szepesi of Hungary, this year's chairman of the contracting parties (members), said yesterday he would begin the necessary consultations, which are designed to secure a consensus.

Trade diplomats in Geneva said they hoped agreement could be reached by the summer. No names are yet officially in the ring, but several possible candidates have been mentioned, not necessarily with their



Possible successors to Sutherland (centre): Rubens Ricuperro (left) and Ruggiero



Among the more plausible are Mr Renato Ruggiero, former Italian trade



Gatt ambassador, and Mr Philip Burdon, trade minister of New Zealand. Developing countries, which

account for three-quarters of Gatt's 123 members, are expected to make a strong push for the WTO top job. Many Third World nations, who played a key role in the just-completed Uruguay Round of trade talks, see the vacancy as a golden opportunity to break the hegemony of the industrialised powers over the big international economic institutions. Latin American candidates mounted a vigorous challenge to Mr Sutherland last year.

US officials in Geneva yesterday denied suggestions that Washington was opposed to the WTO job going to a developing country national. "We have no geographical or developed-developing country limitations", said one senior US diplomat.

Whatever succeeds Mr Sutherland will need to win the assent, if not the sponsorship, of the leading trading powers - the US, the European Union and, to a lesser extent, Japan.

Sutherland urges early Chinese entry to trade body

By Tony Walker in Beijing

Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, yesterday urged a speedy conclusion to negotiations on China's application to resume its Gatt status. Beijing withdrew in 1960, a year after the communists came to power.

Mr Sutherland in Beijing for a business seminar said the international community favoured China's early

return to Gatt or its successor body, the World Trade Organisation.

"We are very anxious the negotiating process should be pursued speedily, constructively and with a view to finding solutions to any difficulties that may remain," he said.

"All parties involved in the negotiations have to co-operate to find solutions and bring China into the World Trade Organisation."

Mr Sutherland's remarks in the Chi-

nese capital were clearly aimed at persuading the Americans and the Europeans that the time is ripe for China to resume its Gatt status.

They come just weeks before President Clinton is due to rule on whether to extend China's Most Favoured Nation trading status in the US. Denial of MFN would certainly affect Gatt negotiations.

Beijing is due to resume bilateral discussions with the Europeans on

the Gatt issue late this month and with the US early in June. A meeting of the Gatt "working party" on China is scheduled to be held in Geneva next month.

Gatt negotiators have narrowed discussions on terms for China's entry to such issues as a transitional period during which Beijing would be expected to make further progress towards liberalising its economy. Talks are also focusing on review arrangements

to ensure compliance and a safeguards clause to counter Chinese export surges.

Mr Long Yongtu, China's chief Gatt negotiator, said it was time for negotiations to be accelerated. It would make no sense for China, which accounts for one-fifth of the world's population and ranks number 11 among trading nations, to be excluded from the WTO when it is formed next year, he said.

Four shipping groups plan global pact

By Paul Abrahams in Tokyo,
Simon Holberton in Hong
Kong and Ronald van de Krol
in Amsterdam

Four of the world's top 10 container groups yesterday announced plans for an alliance linking Japan, China, Europe and North America, the globe's largest trading bloc.

Mitsui OSK of Japan, Nedlloyd Lines of the Netherlands, American President Lines of the US, and Hong Kong's Orient Overseas Container Line, said they had started negotiations aimed at sharing capacity around the world. The lines will not take equity stakes in each other.

The planned partnership is the latest in a series of world-wide agreements between shipping companies as they seek to achieve economies of scale in an increasingly competitive environment. The four aim to dominate the high value-added segment of the container shipping market which involves greater attention to customer service.

"This configuration will allow the four companies to use their ships more effectively, improving use of capacity, offering more frequent, more direct and faster sailings," said Mr Hideyuki Sada-matsu, Mitsui OSK's deputy general manager for Europe and Oceania.

The groups were still negotiating how many ships would be allocated to the alliance which should be agreed within four months and implemented within two years, he said.

Mr Simon Brough, finance director of Orient Overseas, said the alliance would allow the partners to offer a frequent service to their customers. Each company would, however, be responsible for its own marketing, sales and service, he said. The new alliance could eventually include joint trucking, logistics, warehousing and inland operations as well as ship-sharing.

In Rotterdam, Nedlloyd said the proposed alliance would enable it to improve services to cargo customers. "It means we can offer a greater frequency of services, and more direct services to more harbours, than before," Mr Hans Teeuw, senior vice-president of Nedlloyd Lines, said.

He said the partnership was not aimed at bolstering freight rates but added that Nedlloyd hoped that rates would recover. The recent stabilisation of rates after sharp declines in past years, plus growth in cargo volumes, is expected to allow Nedlloyd to return to profit in 1994 after several years of losses.

The shipping industry, which is highly capital intensive, is suffering from overcapacity and poor rates. This has forced operators into capacity sharing agreements to make the most efficient use of assets and improve returns.

Last year, Hapag-Lloyd, Germany's biggest container company, Neptune Orient Lines of Singapore, and Nippon Yusen Kaisha, Japan's largest container company, concluded an agreement to provide services between Asia, North America and Europe. Mitsui, which previously had a partnership for Asian-European trade with Nippon Yusen Kaisha and Hapag-Lloyd, severed its links with these companies after the creation of the alliance.

American President Lines and Orient Overseas are the largest container shipper on the trans-Pacific route since forming an alliance in which they share capacity, co-ordinate sailings and share container terminals. Mitsui has teamed up with the Malaysia International Shipping Corporation, Nedlloyd Lines and Compagnie Générale Maritime to provide scheduled services between Europe and the Far East. The Japanese company said the latest deal would not affect this arrangement, called the Tonnage Sharing Agreement.

ABB plans power projects in China

By Our Beijing Staff

ABB, the world's largest electrical engineering group, plans to invest \$500m (£335m) in power projects and equipment in China by 1996, but low government-mandated returns of 12 per cent are discouraging equity participation in power stations.

Mr Percy Barnevik, president of the Zurich-based company, told reporters in Beijing yesterday ABB was adopting a "long-term perspective" in its approach to the Chinese market where there is enormous demand for energy. "We are optimistic about China's potential," he said, "even if economic growth is slower than the last five years."

Europe's electricity per capita consumption would mean harnessing 1,500 gigawatts of generating capacity - half of today's global capacity. (A gigawatt is equivalent to 1bn watts).

"China needs 15,000-18,000 MW annually - that is 30 power plants a year, or two-and-a-half a month," Mr Barnevik said.

ABB has some 11 ventures in China, including four power stations. It plans a further 10 projects in the next few years, mostly in the power sector.

Beijing recently dampened investor enthusiasm for build-operate-transfer (BOT) projects by seeking to cap returns at 12 per cent. This compares with some earlier deals in southern China involving as much as an 18 per cent return on investment.

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NEWS: THE AMERICAS

Bankers defend derivatives

By George Graham
in Washington

Senior banking executives rallied in Washington yesterday to fight off calls for more government regulation of derivatives. There is growing congressional concern about the risks raised by these sometimes complex financial products, such as interest rate swaps and foreign exchange hedges.

A panel of senior bankers and former financial services regulators told a House of Representatives committee yesterday that the risks associated with derivatives had been greatly exaggerated and that they saw no need for further legislation.

"Whatever else is true - and there are real issues that should be addressed - the sky

is not falling," said Mr Richard Breeden, former chairman of the Securities and Exchange Commission.

Mr Gerald Corrigan, former head of the New York Federal Reserve, also rejected the need for legislation.

"I am hard pressed to think of sensible things that might be done through legislation that would better equip the Fed or other official bodies to deal with a financial disruption of consequence," Mr Corrigan said.

"So far the normal channels are working. It is hard to make a case that additional regulation or legislation is needed to make up for a deficiency," added Mr Dennis Weatherstone, chairman of JP Morgan, who headed a study last year by the Group of 30 of derivatives practices.

The three financiers scoffed at measures proposed by the Office of the Comptroller of the Currency, one of the principal bank regulatory agencies, to broaden the requirement for banks to determine whether a derivatives transaction is appropriate for a particular customer.

Expanding on a circular it put out last year, the OCC said banks should assess the suitability of a derivative instrument for their customer, whether they were acting as a dealer or an agent, and should make sure the customer understood the risks of the transaction.

But Mr Breeden dismissed the need for such concern about the large and sophisticated financial investors who may be engaged in derivatives. "The traditional and still

appropriate answer as to whether a dealer should have a duty to make a suitability determination with respect to a major multinational corporation is simply no. There has not been a category of 'widow and orphan multinational corporation,' and I do not believe that we should create one now," Mr Breeden said.

Mr Corrigan added that it would be a "colossal mistake" to try to extend the system of financial regulation to corporate end users of derivatives.

The General Accounting Office, the investigative arm of Congress, is due to publish a report on derivatives later this month which is expected to call for more comprehensive capital standards for banks dealing in derivatives, along with greater federal scrutiny of the market.

Law fees eclipse court selection

By Jurek Martin in Washington

In a week when American eyes might have been on President Bill Clinton's search for a new justice for the Supreme Court, attention has been diverted by an issue even older than the highest bench: the relationship between the law and money.

Mr Clinton did confer yesterday with senior advisers on the court selection after mounting speculation over who has been on and off his moveable short list. Most frequently mentioned names include Mr Richard Arnold, a distinguished federal judge who happens to hail from Arkansas, Mr Bruce Babbitt, the interior secretary, and Mr Jose Cármones, a federal judge of Hispanic extraction.

But the White House staff has been preoccupied with a far more prosaic issue - how to pay for Mr and Mrs Clinton's private legal fees resulting from the Whitewater investigations and the sexual harassment law suit filed by Ms Paula Jones against the president. Ms Jones has an equivalent financial problem on her hands, the cost of prosecuting her case.

The first family (declared income last year \$293,000) has contracted with two high-priced (\$400-\$500 an hour) lawyers. The White House is considering inviting private contributions to finance the bills which could easily rise towards the \$1m range, capable of wiping out their known private assets. Rough precedents include private donations to the Clintons to help redecorate the White House, but that also attracted conflict of interest criticisms.

Ms Jones (income unknown but small) might well find backing from conservative sources intent on embarrassing Mr Clinton. But accepting funding from such sources would suggest her action was politically motivated, not exactly the way to win over a jury in her \$750,000 damages suit if the case ever comes to trial. Her lawyer said yesterday that only one \$50 contribution had been received.

But even the financial scale of their problems were dwarfed this week by speculation about who might have a chance of beating Mr Alberto Fujimori next year is growing. Influential opposition figures are busily promoting a Pérez de Cuéllar candidacy. And a series of opinion polls in the past month have indicated that, in a straight two-way fight, the former diplomat would beat Mr Fujimori by six points.

"What we really have at present is an opposition in search of a candidate," says Mr Manuel Torrado, head of political research at local polling organisation Datum.

Mr Pérez de Cuéllar towers over other presidential hopefuls. What is most important, he fits the bill as a political "independent" - 80 per cent of Peruvians claim to have no party loyalty and the traditional political groupings are still suffering from the generalised discredit both self-inflicted and skillfully promoted by Mr Fujimori.

Supporters of Mr Pérez de Cuéllar point to his impeccable democratic credentials and high international standing. He would, they argue, help



Pérez de Cuéllar: opposition dream ticket

Peru's opposition 'in search of candidate'

Former UN chief Pérez de Cuéllar is being touted as likely opponent to Fujimori, writes Sally Bowen

Lima's leading news magazine recently carried a photographic mock-up of a "dream ticket" for next year's presidential elections: as president, Mr Javier Pérez de Cuéllar, former UN secretary general; running mates, Mr Ricardo Belmont, a television personality twice elected mayor of Lima, and General Ketin Vidal, who masterminded the capture of Sendero Luminoso guerrilla leader Abimael Guzmán.

The three are not known ever to have met and none - least of all General Vidal - has expressed a firm intention to run. But speculation about who might have a chance of beating Mr Alberto Fujimori next year is growing. Influential opposition figures are busily promoting a Pérez de Cuéllar candidacy. And a series of opinion polls in the past month have indicated that, in a straight two-way fight, the former diplomat would beat Mr Fujimori by six points.

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Peru's government can spend up to \$876m from its privatisation programme on social and capital investment projects this year, according to an agreement with the International Monetary Fund. Reuters reports from Lima.

A letter of intent, published in the official gazette and due to be signed soon, lays out the 1994 targets for Peru's economic programme under a three-year extended fund facility which the government signed with the IMF in March 1993.

Inflation will be reduced to between 15 and 20 per cent. Gross domestic product will grow between 4 and 5 per cent and net international reserves will rise by \$15m, it said.

"The government will deepen structural reforms to improve efficiency and increase national savings, laying the base for sustained growth and balance-of-payments viability," the letter said.

rebuild the still-precarious bridges between Peru and the rest of the world. His experience in seeking consensus could also be a welcome change from Mr Fujimori's authoritarian style.

On the down side are Mr Pérez de Cuéllar's age (he is 74) and his lack of familiarity with his native land: he has lived abroad most of his life and continues to do so. A senior Fujimori aide describes the former UN secretary general as "colourless, tasteless and odourless". Former president Mr Fernando Belaúnde Terry, meanwhile, is reported to have said that "this is a product that won't sell in the Andes".

Mr Torrado, a veteran of Peruvian political campaigns, disagrees. With proper marketing, he says, Andean peasants in the remote highlands would vote en masse for Mr Pérez de Cuéllar. "How could they not? In their eyes, he's already been president of the world."

President Fujimori, however, will be hard to beat. His approval ratings remain high and, though he has yet to announce his candidacy for a second term, he already appears to be on the campaign trail.

For weeks he has been visiting remote rural areas and urban shanty-towns, opening new schools and the like. The 1994 public purse has been conveniently swelled by a stepped-up "social compensation fund" budget as well as by cash from privatisations.

One thing Mr Fujimori notably lacks is a political party. Cambio (Change) 90, which he created to support his 1990 presidential campaign and New Majority, conjured up to run candidates in the 1992 post-coup constitutional elections, have failed to put down roots. With the long-established Apra and Popular Action parties gearing up to run candidates, a 1995 congressional majority for Mr Fujimori looks unlikely.

Increasingly, the army has substituted for the political party Mr Fujimori lacks. That, too, may create problems. Army support is always essential in electoral processes in Peru - to distribute electoral material, guarantee order and collect ballot boxes.

The biggest test for Peruvian democracy over the 11 months before the first round may be whether the armed forces can maintain neutrality towards a president-candidate with whom they are intimately linked.



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Sony in Mexico labour complaint

By Damien Fraser
in Mexico City

The AFL-CIO, the US labour union grouping, is preparing to file a complaint against Sony Electronics for allegedly violating the labour rights of its Mexican workers. In a potentially important test case of the North American Free Trade Agreement's side accord on labour.

Mr Michael Byrne, spokesman for the AFL-CIO, said its complaint would be filed within weeks. The union alleges a Sony-owned plant in Nuevo Laredo, Mexico, fired workers for union activism in January, played a substantial role in staging fraudulent union elections last month, and called riot police into the plant to put down a peaceful demonstration.

Sony denied the allegations, saying it had been caught in a dispute between two factions in the company union. It says two workers were fired in March, but for disrupting work rather than union activism, and that Sony played no part at all in union elections.

The AFL-CIO complaint will

be the third presented to the National Administrative Office of the US Labour Department, which was set up to implement the labour side agreement of Nafta. The first two complaints were filed against General Electric and Honeywell for allegedly firing workers for seeking to organise a union in their Mexican-owned plants.

The NAO agreed last month to review the complaints against General Electric and Honeywell, and has up to 180 days to issue a non-binding public report, which could be followed by a public hearing. However, the alleged violations are not punishable by sanctions, and it is not clear what the next step would be if the complaints were upheld.

Under the Nafta side accord, labour offices are established in each member country to receive and report on complaints labour laws have been violated in other member countries. However, in most cases the result of the report will be a recommendation, since sanctions are only applicable if a country fails to enforce its minimum wage, child labour or health and safety laws.

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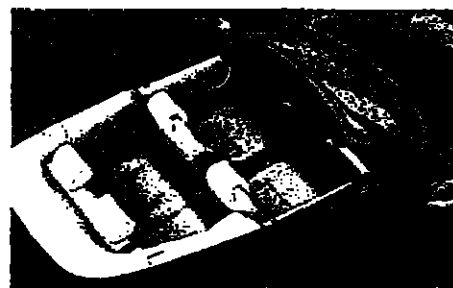
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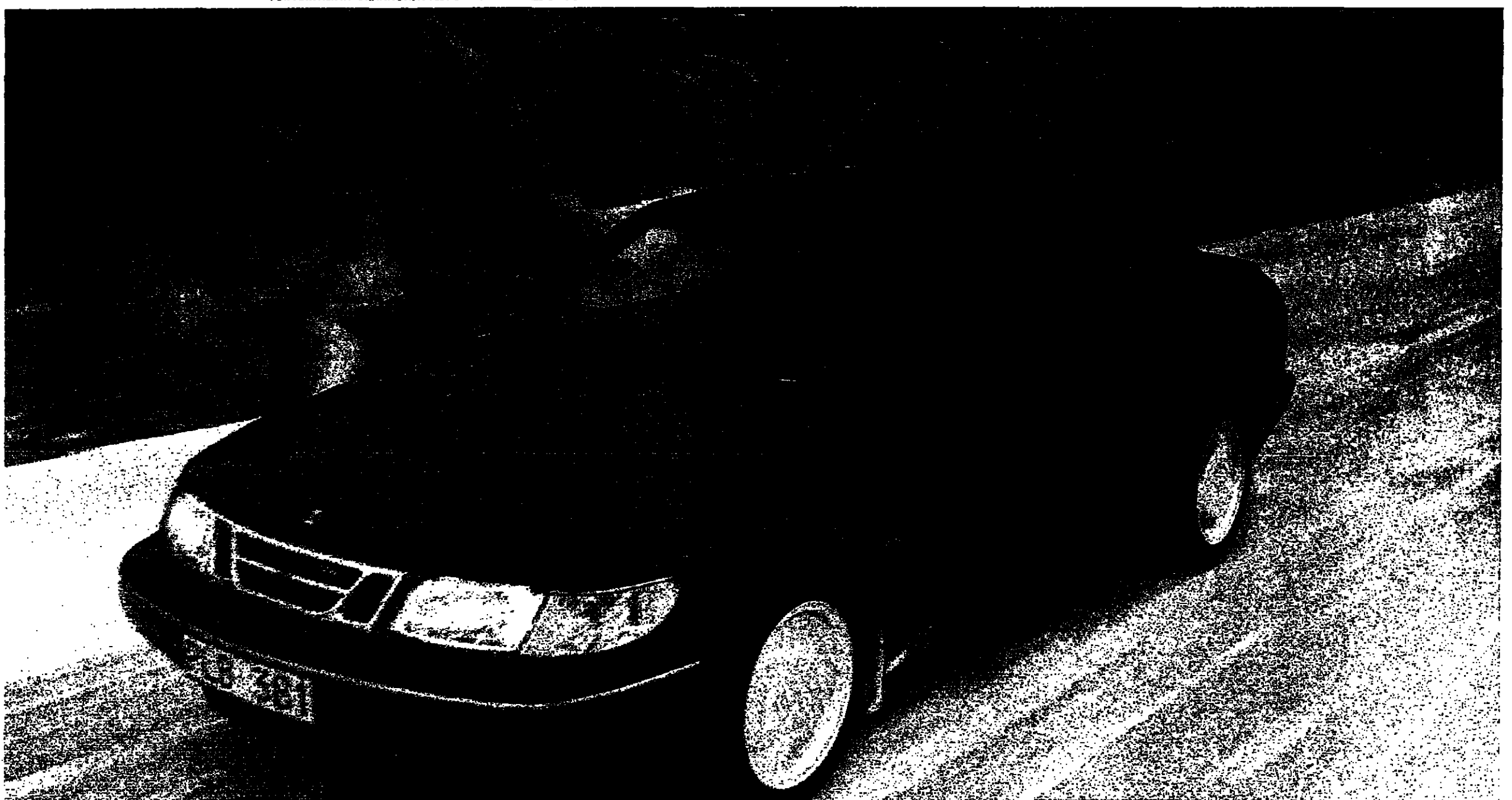
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NEWS: UK

Major seeks to defuse Tory row on Europe

By Philip Stephens,
Political Editor

Mr John Major yesterday rejected calls from Conservative Euro-sceptics to commit his government now to a referendum on the next stage of European integration.

But he sought to defuse the tensions within the Tory party ahead of next month's European elections by insisting he would adopt a tough stance against further integration at the 1996 intergovernmental conference.

With his leadership again under fire, Mr Major underlined also his determination not to be driven from office. He told MPs: "We received a five-year mandate to carry out our policies. I intend to exercise that five-year mandate."

Mr Douglas Hurd, the foreign secretary, will now seek to repair the damage left by the row by setting out later today at the Scottish Tory conference the key planks of the Conservatives' European manifesto.

Mr Hurd will stress that the underlying forces shaping Europe point to a flexible, multi-speed Union in which Britain can feel entirely comfortable rather than to the centralised and uniform entity feared by Tory Euro-sceptics.

After two days of confusion and division in Tory ranks, Mr Major responded to opposition attacks by refusing to promise a referendum on the outcome of the 1996 conference.

He left open the possibility of a future government taking a different view if there was a move to a single European currency. But Downing Street stressed the referendum issue was off the agenda for the foreseeable future.

Despite an upsurge in support for the referendum idea as a potential device to unite the Conservatives before the June 9 European poll, Mr Major indicated there is no question of such a proposal appearing in the party's manifesto.

He had not changed his mind since voicing vigorous opposition to a referendum on the Maastricht treaty. He agreed with Sir Terence Higgins, a senior backbench MP, that such votes were: "An alien concept inconsistent with our system of representative parliamentary democracy."

Mr Major pledged that he would not agree to any new arrangements in 1996 which were unacceptable to the British parliament.

He dismissed calls from Tory Euro-sceptics for a commitment now to call a referendum on a future single European currency but refused to rule out a change of heart by a future parliament.

Pro-European Tories, who have campaigned against any referendum commitment, expressed themselves satisfied with Mr Major's stance while the sceptics claimed that he had not closed the door entirely on their demands.



John Major at the despatch box flanked, to his left, by the chancellor Kenneth Clarke, and defence secretary Malcolm Rifkind

Right-wing plotters split over PM

By David Owen

Right-wing Conservative MPs plotting over how to get the party to adopt their agenda are divided between those wanting Mr John Major to go and those who think sustaining him in office is their best course of action.

The split suggests that all may not yet be lost for the prime minister even if the Conservative party does badly in next month's European elections.

The disagreement stems partly from a widespread feeling among rightwingers that Mr Michael Portillo - the Thatcherite chief Treasury secretary who is the preferred candidate of many of them - would be unlikely to beat Mr

Michael Heseltine in a leadership contest later this year. Some rightwingers believe broadly that the danger that the pro-European trade and industry secretary would succeed Mr Major does not undermine the case for a change of leadership.

Encouraged by Mr Heseltine's voting record on issues like lowering the age of consent for homosexuals - they argue that on many subjects he is closer to the right of the party than the left.

If he came out in favour of a referendum on the next step of European integration they say they would warm towards him further.

A number of rightwingers supported Mr Heseltine against Mr Major and Mr Douglas

Hurd in the last Tory leadership contest in 1990.

MPs falling into this category include Mr John Carlisle MP who recently said he was ready to stand in an autumn leadership contest, Mr Tony Marlow MP, who stunned the Commons in March by demanding Mr Major's resignation, Sir Peter Tapsell, the Euro-sceptic MP, and Mr David Evans, a member of the 1992 committee executive.

The second right-wing camp believe that a Heseltine premiership is to be avoided at virtually any cost.

Since a leadership contest later this year is therefore best avoided, they reason that their best bet is to promise Mr Major their support while urging him to adopt more rightwing poli-

cies and to appoint rightwingers to more prominent cabinet posts in a summer reshuffle.

Some of them think Mr Major could in effect be used in this way as a sort of interim leader until Mr Portillo, or an alternative candidate from the right, is ready to mount a winning challenge. Their attitude is disparaged by their opponents as "clinging to nurse for fear of something worse."

There is little or no enthusiasm among rightwingers for a prolonged Major premiership as anything other than a means to an end. According to one MP: "The big difference between now and 1990 is that no one is going around saying this is a prime minister we have to go to the wall for."

Britain in brief



Fingerprint deal moves to shortlist

The Home Office is close to deciding on the final shortlist of companies to implement the UK's first comprehensive national automated fingerprint recognition system, a final decision will be made before the end of the year.

The system, which will cost £45m at current prices, will be used by the 43 police forces in England and Wales.

The original eighteen tenders have been whittled down to 10. They are: Arvin Calspan, Digital Equipment, Electronic Data Systems, International Business Machines, SAIC, TRW and Unisys of the US, Groupe Bull of France, ICL owned by Fujitsu of Japan and Siemens Nixdorf of Germany.

Next Monday the list will be reduced to four and a final decision will be made in October for the system which will be introduced in three years time.

The new system, known as Nafis, will for the first time combine both identifying fingerprints discovered at the scene of the crime, and personal identification - comparing a suspect's prints with those held on the data base.

Body aims for EU R&D aid

A new organisation to win Britain a bigger share of the European Commission's £5.5bn research and development budget was launched by the construction industry.

The Construction Industry European Research Club (CIERC) will provide information on impending projects, arrange partnerships with other European companies and research organisations as well as provide contacts and prepare submissions to the EC.

The scheme, supported by the Environment Department, will be managed by the Independent Building Research Establishment which has extensive contacts with research organisations in continental Europe.

To qualify for EC funds applications must be supported by bodies from at least two EC countries. Establishing co-operative

ventures between UK companies competing in the same sector, and arranging cross-border support has proved difficult in the past.

Nissan football row not settled

A final attempt to resolve the disagreement between Nissan, the carmaker, and Sunderland football club over the club's plans for a £75m stadium and leisure centre on green belt land beside the car maker's plant appeared to have foundered.

The club said it had broken off talks with Nissan, in the belief further discussion would serve no purpose.

Nissan opposes the club's development proposal, fearing it will block the car plant's future expansion and disrupt component delivery and production schedules by increasing traffic on nearby roads. A public inquiry into the club's plans is to be held, probably in the autumn.

New vehicle registrations

New commercial vehicle registrations rose by 11.6 per cent last month to 16,834 according to figures released by the Society of Motor Manufacturers and Traders.

New commercial vehicle sales, an important economic indicator, have been higher than a year ago in seven of the last eight months.

Imported vehicles are gaining a growing share, as the market recovers from recession, however. Imports accounted for 45.3 per cent of the market in April compared with 39.1 per cent a year ago. In the first four months of the year new commercial vehicle registrations rose by 12.4 per cent to 75,486. The share taken by imports jumped to 43.1 per cent from 40.3 per cent a year ago.

Green audit finds slippage

The government has failed to keep more than 27 environmental commitments, according to its annual audit of its environmental performance.

The 200-page report, which is the third annual assessment of "This Common Inheritance," the government's environment strategy published in 1990, lists the action taken on 697 separate environmental commitments. The report, which was due to be published six months ago, was delayed by pressure of work in the Department of the Environment, officials said.

BBC and Pearson link up in global TV venture

By Raymond Snoddy

The BBC intends to become "number one in world television" to match its lead in radio, where the BBC World Service has 130m regular listeners a week, Mr John Birt, director general, said yesterday.

To complement its expertise and its lack of capital for investment in commercial ventures, the BBC unveiled its new international commercial partner - Pearson, the media group which has a 17 per cent stake in British Sky Broadcasting and owns Thames Television and the Financial Times.

So it was that yesterday Lord Blakenham, chairman and chief executive of Pearson, found himself in the BBC Council Chamber under a portrait of the last director general but one Mr Alasdair Milne talking of virtues such as "honesty, integrity, belief in

quality and editorial independence."

The public corporation and the publicly-quoted media group will be responsible for the launch of two satellite television channels aimed at the European market by this autumn - a 24-hour news channel funded by advertising and an entertainment channel funded by subscription.

Pearson is committed to investing up to £30m in the venture, though this will fall to £20m if, as expected, a third continental European partner joins the project.

As far as anyone could determine at the BBC yesterday the "global strategic alliance" with Pearson is a unique example of a public service broadcaster linking up with a commercial group without obvious parallel anywhere else in the world.

"We are satisfied, one with another, that we share a similar set of corporate values that underpin what we

do," said Mr Bob Phillips, deputy director general of the BBC and a principal architect of the new strategy.

The government has accepted in principle the idea of such an alliance ahead of a policy paper on the future of the BBC. But Mr Birt accepted yesterday that the government had neither seen nor agreed the details.

The alliance - designed said Mr Phillips to lead Britain into a multi-media world - proved politically controversial.

Ms Marjorie Mowlem, Labour party spokesman, expressed deep concern that the decision had been taken prior to the launch of the BBC white paper. The Campaign for Press and Broadcasting Freedom said the alliance as a purely commercial venture "calls into question the very existence of the licence fee and the role of the BBC as a public service broadcaster."

The Liberal Democrats said the deal

would provide "a British-based counterweight to Rupert Murdoch and to the other large international alliances."

The alliance will concentrate on provision of satellite channels outside the UK aimed primarily at continental Europe, Asia and the Americas. To begin with the language will be English although other language channels could follow.

Apart from taking World Service Television News around the world the partners will look at the possibility of launching channels or part channels devoted to documentaries, childrens programmes and education.

"These strengths are not particularly Rupert Murdoch's strengths," observed Mr Richard Dunn, chief executive of Thames and managing director of Pearson Television Holdings, the subsidiary which will represent Pearson in the alliance.

The BBC detailed a far-reaching reorganisation of its international and commercial ventures yesterday to make sure "no public funding plays any part in financing the international television developments."

A new organisation - BBC Worldwide - has been set up with three separate divisions all reporting to a Worldwide Board chaired by Mr Phillips which will have no Pearson representatives.

BBC International Television, to be run by Mr John Thomas, will be responsible for everything from programme sales and co-productions to joint ventures with Pearson and other partners.

The BBC, which already works with Pearson in satellite channels such as UK Gold, the UK library channel, will take equity in the new joint venture subsidiaries but will usually not put up capital.

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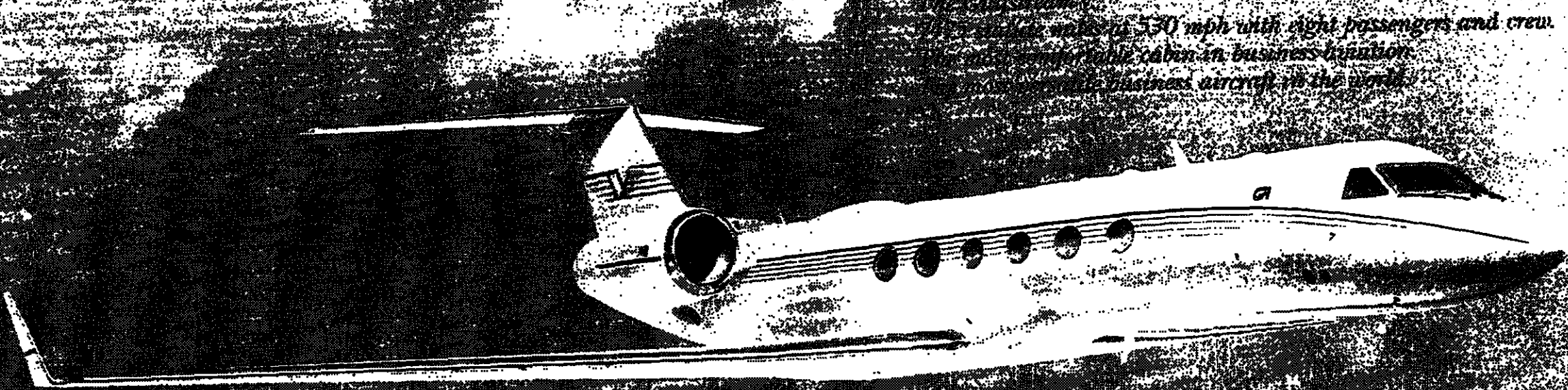
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SETTING THE STANDARDS
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NEWS: UK

Attack over bootleg beer from Europe

By Tony Jackson

The head of one of Britain's biggest regional brewers bitterly attacked the government yesterday over the "scandal" of bootleg imports of beer from mainland Europe.

Sir Paul Nicholson, chairman of Vaux Group of Sunderland in the north east of England, said there was a "strong criminal element" in the cross-channel beer trade. "It's easy money - easier than drugs," he said.

Cross-channel shipments were now running at over 2m barrels a year, he claimed. This was equivalent to four times the production of Vaux itself, which last year sold beer worth over £100m. Smuggling was not confined to the south of England. "We have evidence of vans crossing the channel and transferring to 40t wagons. A large proportion of those wagons come from the north," he said.

Much of the trade is thought to be illegal, since the UK Customs and Excise require that duty-free beer should be brought in only for personal consumption. However, Sir Paul said, it was unclear whether this was enforceable

under EC rules. "The customs are showing a remarkable reluctance to do anything about it," he said.

Sir Paul's strictures, coming as Vaux kicked off the brewers' reporting season, may be followed by other brewery chiefs. The brewers have been lobbying the government to reduce the duty on beer to bring it closer to French levels. However, most accept privately that they are unlikely to succeed in the near term, due to the government's shaky finances.

Sir Paul strongly criticised the paymaster general Sir John Cope, who recently defended the government's position on the grounds that revenue from drinks duty was up this year. "If they let it go on, they will destroy a huge swathe of British brewing and pubs. Then they will lose revenue, panic, reduce duty, and allow a further wave of French beer in," he said.

Calling for an immediate halving of beer duty to 15p a pint, Sir Paul recalled that the last cut in duty had been under Heathcote Amory as chancellor in 1969. The period 1969-79 had been one of steadily increasing consumption, which had vastly

benefitted the Treasury over the long term.

"The first pub we opened [after the 1969 cut] we called the Jolly Minister," he said. "I'm quite prepared to repaint the sign with a portrait of the present chancellor if he listens to our suggestions."

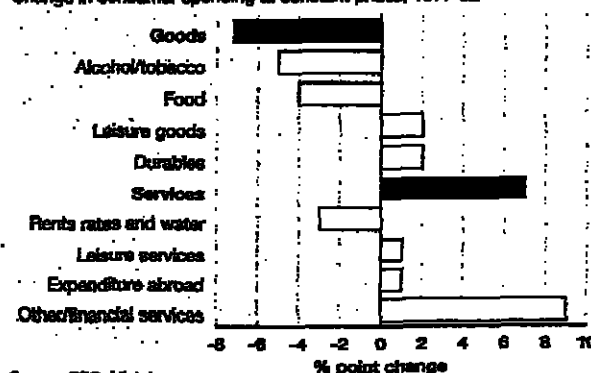
● The European single market trading system has left the logistic departments of many UK businesses celebrating, as they benefit from better trade structures - but drawn rather more fire from companies' finance directors, who face a new accounting headache.

That is the message of a study released by the Customs and Excise on the impact of the removal of community trade barriers on British companies, after the first full year of using the new trading and European Union statistical system - Intrastat.

The study, based on a survey of 1,000 companies, re-affirms the department's earlier prediction that British business should reap at least £440m pounds worth of benefit from the single market over the next five years - although it admits that many businessmen remain far from convinced about these gains.

Where the money goes...

Change in consumer spending at constant prices, 1977-92



Source: CBO, Mintel

and how that will change to the year 2000

Winners will include

Cable/interactive TV
Computer games and equipment
DIY and gardening
Theatre/arts
Golf/fishing
Museums
Family activity holidays
Takeaway meals
Life insurance
Personal pensions
Private health insurance
Children's clothing
Home shopping

Losers will include

Bank overdrafts
Mortgages
Hire purchase
Youth fashion
Red meat
Package holidays
Video and TV rentals
Audio cassettes
Pub drinking
Youth music
Rock concerts
Theme parks
White goods

Mintel sees 'self-reliant' consumer

By Diane Summers, Marketing Correspondent

The emergence of "self-reliant" consumers, more willing to take responsibility for their health and economic well-being, is one of the main trends identified by Mintel, the market research group, in a report reviewing social changes over the last 20 years. The past decade, in particular, has seen the shift of responsibility from the state to the individual, says the report. "Council house sales, problems with the NHS, and the move away from state pensions have forced people to take more responsibility for their own lives and made them more confident in their ability to go

private, or go it alone," says the Mintel report.

The change is reflected in the increased role of personal pensions and health insurance, and the increase in personal transport, self-employment and home ownership, says the report.

"It is also evident in the move away from mass marketing and fashion. Today's consumer is more likely to make a choice based on their own style rather than current fashion or national norm," says Mintel, which has put together trend data from its own previous research and other published sources for the report.

Spending has shifted away from goods towards services, finds Mintel. In particular,

there has been a decrease in spending on food, alcoholic drink and tobacco and an increase on spending on non-utility, especially leisure, services.

Main lifestyle trends over the last 20 years identified by Mintel include:

- Greater interest and awareness of health issues, leading to reduced smoking and greater attention to healthy eating
- Increased interest in environmental issues
- Growth of home-centredness, as the home becomes an important leisure centre
- Increased self-reliance as manifested by the increased role of personal transport, self-employment, personal

pensions and home ownership

- Increased individualism, leading to greater segmentation within consumer markets
- Increased mobility, leading to greater use of supermarkets and out-of-town shopping centres

- A rise in crime, leading to a growth in home and personal security.

These changes mean that many of the consumer spending growth areas which are today taken for granted, did not exist or were only in an embryonic state 20 years ago, says the report.

These areas include satellite TV, video recorders, home computers, and the emergence of the large DIY superstore.

Summer holiday sales set for record

Summer holidays sold through agents are expected to reach a record 9m this year, but average prices are lower than they were three years ago, the travel retailers Lunn Poly said yesterday. Michael Skapinker writes.

Lunn Poly, the largest travel agents' chain, said summer sales this year were expected to be 13 per cent higher than last year, breaking the previous record of 8m sold in 1987. Lunn Poly's price data revealed, however, that the increase in holidays sold has been achieved by heavy price discounting. The average price of a summer holiday booked through Lunn Poly by the end of March this year was £278. This compares with £383 last year, £390 in 1992 and £275 in 1991.

A post-Christmas price-cutting campaign by travel agents led to a 40 per cent increase in the number of summer holidays sold by the end of January. Lunn Poly said, however, that the end of the discount campaigns led to sales in February and March falling below the level of the corresponding period in 1993.

Saatchi bewails 'sloppy thinking' in advertising

By Diane Summers

The advertising industry should end "vague, sloppy thinking" and get back to "simple and direct" messages, Mr Maurice Saatchi, chairman of Saatchi & Saatchi, the global advertising agency, said last night.

A grim picture of an industry which has lost its sense of direction and is searching, like the character Hamlet, for a reason for existence was painted by Mr Saatchi in the speech to women advertising executives in London.

"The advertising industry now is more lacking in self-confidence, self-worth, than at any time I can remember," he said. The recession could no longer be blamed for this bleak state of affairs.

It is highly unusual for Mr Saatchi to speak out about the state of the industry.

His comments come as Saatchi is battling to regain market share, particularly in the US, and follows a period of widely publicised conflict between Mr Saatchi and the group's chief executive, Mr Charlie Scott.

Manufacturers which fail to invest in their brands came under particular attack from Mr Saatchi.

"The old verities about advertising seem to have broken down. Advertising seems no longer to be part of that virtuous circle, in which the gift that advertising bestows - a premium price - is used to provide funds to reinvest in

superior product quality, innovation, product development, which is the only true justification for a premium price," he said.

Saatchi, together with WPP and the other large advertising groups, has always stressed to clients the benefit of global campaigns and has built worldwide networks accordingly. Yesterday, however, Mr Saatchi pointed to the difficulties of sustaining such campaigns. "How do you communicate to lots of different people in all these different countries across the world without being so bland and jolly-like that you have nothing real to say?" he asked.

He also said that network agency systems "mean co-ordination, which often means committees - not the best environment for inspired creativity. In fact, global advertising quickly becomes trite and clichéd - the lowest common denominator, not the highest form of expression of creative talent."

For advertising to meet the challenges of the future it needs to "speak in simple, universally-recognised truths," he said. This will mean that every brand has "a consistent strategic focus".

"It will mean the end of vague, sloppy thinking which leads to the vague, sloppy clothes in which so many brands go out in public. It will mean creative work so simple and direct that it strikes a chord in humans everywhere."

Football grounds register big fall in racial abuse

By Stephen McGookin

Britain's football grounds have seen a marked decline in incidents of racial abuse and harassment at the end of a season-long campaign aimed at tackling the problem.

Racial Equality warns that despite the improvement there is still work to be done to promote clubs as safe, welcoming environments.

Launching the second phase of the 'Let's Kick Racism Out of Football' campaign, CRE chairman Mr Herman Ouseley said that 91 of the 92 league clubs - the exception being York City - were supporting the initiative and the feedback from boardrooms and supporters had been positive.

But, he said, "In the coming season, clubs will need to sustain the momentum to rid the game of racial harassment and prejudice, so that national pride in the way the game is run, in a racism-free way, can be fully justified."

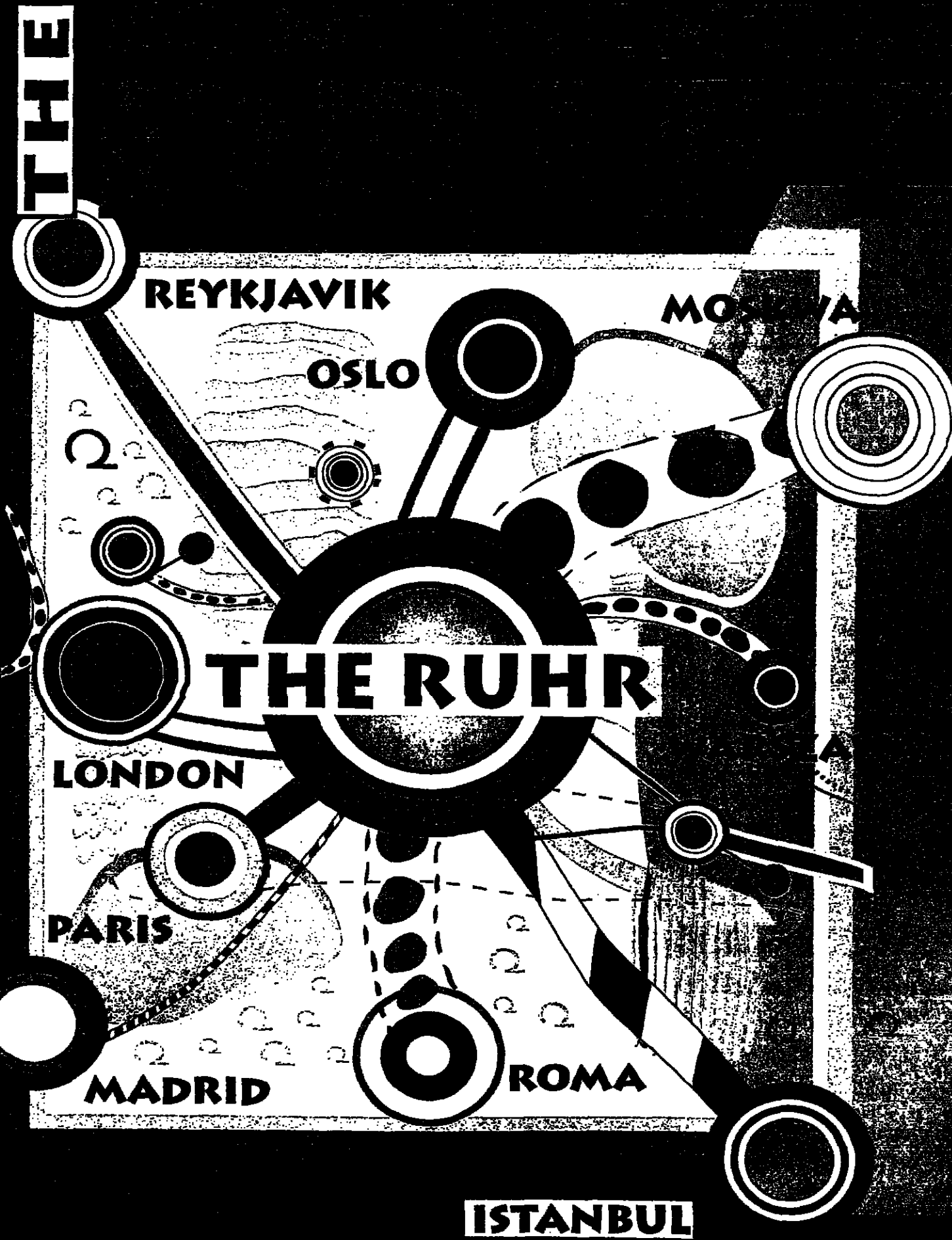
Mr Gordon Taylor, chief executive of the Professional Footballers Association, said that in the three years since the passing of the Football Offences Act, which outlawed racist chanting and abuse, the number of arrests had fallen: from 76 in 1991/92, to 40 in

1992/93 and 12 in 1993/94. He also said that support for the CRE's initiative from both UEFA and FIFA showed the problem was international, and in spite of recent initiatives by the Italian and Dutch football authorities "it still needs to be on everyone's agenda."

He praised the improvement in co-operation between police forces - such as the setting up of the national intelligence databank - and the gathering of undercover information on racist groups which had attached themselves to football in the past.

Mr Ouseley added: "Football has a responsibility to its customers and to the wider community to provide a safer and happier environment for black players and to encourage black people to come back to the sport as spectators."

Handing over a cheque for £50,000 in continued support for the project, Mr Richard Faulkner, of the Football Trust, said that the Taylor Report, which recommended a move to all-seater stadia following the Hillsborough disaster - had helped to create a less-intimidating atmosphere. "It is easier to identify someone shouting racist abuse when they're sitting down," he said.



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Game, set, match for the Rule of Benedict

Tim Dickson on tennis and the Church of England

With more than a touch of worldly scepticism, even trepidation, 13 Church of England vicars last week swapped their dog collars for track suits and converged on a London tennis centre.

The unlikely occasion was a Church-sponsored training course aimed at improving clerical coaching skills, in particular participants' ability to bring out the best in curates placed under their care.

Just as the supervisor/subordinate relationship in a company can be tricky, so the chemistry between vicars and curates is potentially unstable, sometimes even explosive.

Not everyone would think of a tennis court as the best place to tackle this issue, but by the time last week's "class" had been run off their feet and showered, most confessed to having overcome initial doubts.

"I think many of us had misgivings about what it was all costing the Church, and we were wondering why we were being asked to dig out our own tennis kit," explained one. "But I think it has been successful. You realise there are unbounded possibilities in looking at things afresh."

Tennis, explains Stephen Bamfylde of course organisers Sexton Bamfylde International, is merely a vehicle for exploring the coaching process. "We like it because it's fun and also because it's important for people to see that you can win and lose. It's a bonus, however, if anyone comes out at the end with a better serve or a better backhand."

Roughly three hours during the first of the two days is actually spent on court, part of it with the vicars divided into groups of three (one playing the role of coach, another the pupil with the third observing). The rest of the first day is devoted to discussion and analysis, while the second concentrates on the "real world" problems of parish life and how the tennis analogy can be applied.

"It doesn't matter if you can't catch a ball," adds Martin Kitchen, priest in charge of training in the Diocese of Southwark, where all the vicars



Caroline Harris, tennis coach, and the Rev Tom Wooderson of St John's, Redhill

attending the course have their parishes. "The message we want them to take away is that their curates will probably arrive with a lot of learning, knowledge and skills and that it is better for these to be drawn out than for the vicar just to tell them what to do."

Whatever the difficulty for outsiders of making the connections, phrases like "current reality", "focused attention", "process" and "task" were all being happily batted around the tennis court (and who knows, may pepper sermons for some time to come). As one participant put it: "The clergy is used to using parable and metaphor. There is also an openness in the Church about learning from management studies, just as the Church has learnt from history, philosophy, linguistics and other studies over the centuries."

He added: "As I see it, management is about making decisions that affect people and resources - if there is expertise from which we can learn, we should do it."

Bamfylde and partner Anthony Sexton are vicars of the order of St Benedict, or "part-time

Benedictine monks" as Bamfylde puts it. He argues that the process is two way, and suggests that the Rule of Benedict (written at the start of the sixth century) can be seen as a useful management text.

"Benedict says that those who hold authority in a community are not to be above the group," writes Joan Chittister in a commentary on St Benedict's thoughts on the qualities to make a good abbot (or CEO). "They are to be the centres of it, the norm of it, the movers of it. They themselves are to mirror its values. Their job is not simply to give orders. Their job is to live out the ideals. It is an authority far removed from office elitism or pompous hierarchy or high-handed parenting."

Sexton Bamfylde, best known as a headhunter but also active in the fields of psychological assessment and team building, gives 10 per cent of its profits to charity and employs a high proportion of Christians: some 80 per cent of the staff claim commitment to the faith. "We do have our resident atheist, though," says Bamfylde reassuringly.

When a handful of Chrysler assembly workers gathered late last year with suggestions on cost-cutting, they came up with an innovative solution to replace the expensive sealer used in car boots. The idea amounted to an annual saving of \$350,000 (£171,000).

The car company says this is just one example of the boost in productivity derived from a better-educated, more participative workforce. "The days of the cattle-call are over," says Dennis Pauley, executive vice-president of manufacturing at Chrysler. "We used to put out the word on Fridays that we needed X number of workers Monday morning. If you could walk and breathe you were in. That's not how it is anymore."

US car manufacturers hope tougher hiring standards will ensure they get the skilled workers they need to stay competitive. Blue-collar employees in the industry are looking more like white-collar workers in terms of educational background.

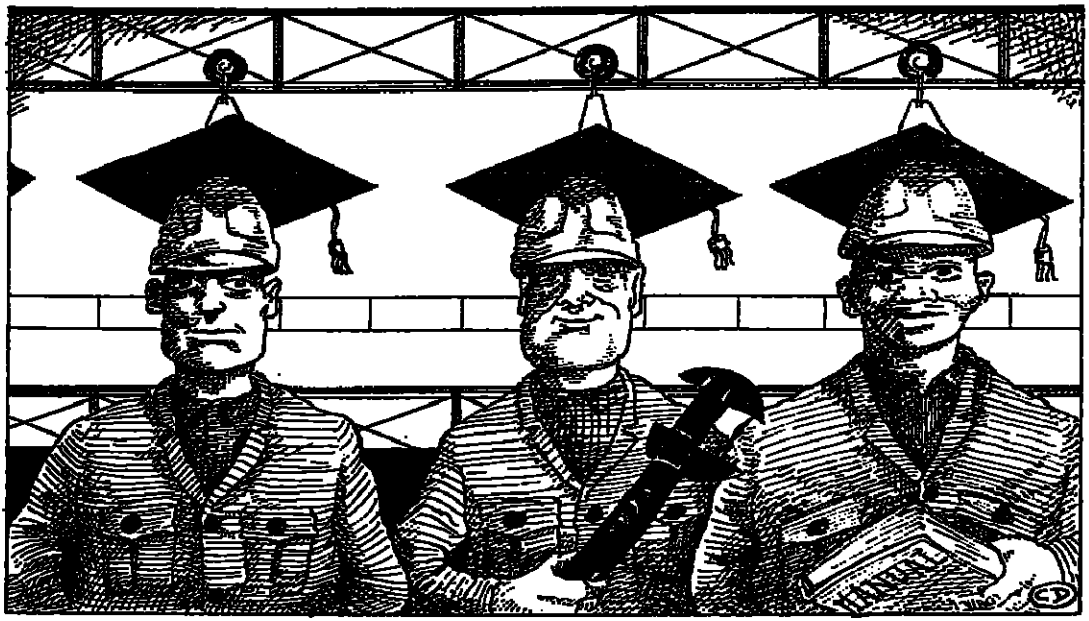
At Chrysler's Windsor plant in Ontario, for instance, some 20 per cent of new assembly plant workers are college graduates, while nearly 5 per cent of new blue-collar employees for Ford Motor Company are university graduates, up from almost none 10 years ago.

Even more striking is the surge in the number of workers who have completed high school. About 97 per cent of the blue-collar employees Ford has taken on since 1981 possess a high school diploma or higher degree. More significantly, since nearly half the blue-collar workers at US car manufacturers will become eligible for retirement over the next five years, "this offers us a major opportunity to reshape our workforce," says Pauley.

The American car sector is taking its cue from Japan, where groups such as Toyota and Honda have built up a highly-skilled employee base. "The Japanese assembly-line workers graduated in the top 20 per cent of their technical school," says David Jones, president of the consulting group HR Enterprises, which advises US car companies on assembly line hiring. "They put the same energy into blue-collar recruiting that the companies here put into management recruiting at the top universities."

US car manufacturers now realise that to compete with the Japanese, they need a workforce with similar accomplishments. "In the past, we put our energy into making sure we had a well-educated management force," says Pauley. "Now, we know that assembly-line workers are just as important. My workforce needs to be at least as good as that of the Japanese, or I'm out of the game."

Recruitment of the highly-educated is made easier because uni-



Blue-collar team, white-collar wise

Victoria Griffith on how a better-educated workforce is helping the US car industry to raise productivity

University graduates are finding assembly-line jobs appealing. The work is less physically strenuous, and more intellectually challenging, than it was just a decade ago. High salaries are also enticing. Hourly wages usually range from between \$15 and \$18 an hour, generous even by university graduate standards.

To select the best workers, car makers have adopted strict new screening methods. Potential employees are required to take examinations which measure reading, writing and mathematics ability, manual dexterity and interpersonal skills. No specific degree is required, but the tests automatically favour the well-educated.

"It is more likely that people with high school diplomas will do better on the exams, and individuals who score higher clearly are more productive on their jobs," says Jones.

Changes in the industry over the last decade have made educated workers more of a necessity. Companies have been eliminating middle management to slice costs, as a result more workers are being left to their own devices.

At Chrysler there are now 50 workers to every manager. Ten years ago that number was 20; soon,

says the company, it will be 100.

"Once you back out the supervisor, you need more self-directed workers," says Pauley. "By having fewer managers, you redefine the job of the assembly plant worker."

Manufacturing jobs are also more technical than they once were. "Many jobs have changed beyond recognition," says Arthur Johnson, supervisor in charge of employment and training planning at Ford. "For instance, a welding line used to consist of a man holding a piece of metal on to the car, and someone welding it with a hand-held machine. Today, robots do all that."

These changes require new skills. The ability to read an instruction manual is now more important than brute strength, and with new technology being adopted all the time, workers must be capable of learning new tasks quickly.

Workers must have the flexibility to perform more than one job. To keep the plant running smoothly, and cut down on overtime pay, assembly-line employees are often expected to fill in for absentees workers, or ease the work load in another section of the plant.

Employees are also asked to participate in the daily running of the

company. At the Dodge City Complex, a Chrysler operation which opened last July, each worker has the right to halt the assembly line at any time. The company says it helped them iron out the wrinkles and address inefficiencies which under the old system would never have come to light.

"One guy suggested we put in a computer program which would tell him what materials he'd need for a particular vehicle in advance. Now, he prepares the stuff ahead of time," explains Norman Hunt, a supervisor assistant who will soon receive an engineering degree.

Even General Motors, which because it is not hiring as less flexibility in shaping its workforce, is attempting to improve blue-collar educational levels. The company, in conjunction with the Auto Workers Union, has launched a programme which subsidises employees' tuition at university and technical schools. The company says that 17 per cent of assembly-line workers involved in the initiative are working towards a college degree.

An article on Rover's shopfloor revolution appeared on Monday's Management Page.

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Unit	Price	Price	Price	Price
£/MWh	£/MWh	£/MWh	£/MWh	£/MWh
0200	10.85	11.11	11.11	11.11
0300	10.85	10.85	10.85	10.85
0400	10.85	10.85	10.85	10.85
0500	11.00	11.00	11.00	11.00
0600	11.00	11.00	11.00	11.00
0700	11.00	11.00	11.00	11.00
0800	11.00	11.00	11.00	11.00
0900	11.00	11.00	11.00	11.00
1000	11.00	11.00	11.00	11.00
1100	11.00	11.00	11.00	11.00
1200	11.00	11.00	11.00	11.00
1300	11.00	11.00	11.00	11.00
1400	11.00	11.00	11.00	11.00
1500	11.00	11.00	11.00	11.00
1600	11.00	11.00	11.00	11.00
1700	11.00	11.00	11.00	11.00
1800	11.00	11.00	11.00	11.00
1900	11.00	11.00	11.00	11.00
2000	11.00	11.00	11.00	11.00
2100	11.00	11.00	11.00	11.00
2200	11.00	11.00	11.00	11.00
2300	11.00	11.00	11.00	11.00
2400	11.00	11.00	11.00	11.00

Prices are determined for every half-hour in each trading period. Prices are in pence per kilowatt-hour. The current prices for power are determined by the market clearing price in the day-ahead market. The day-ahead market is a market where electricity is bought and sold in advance of the day of use. The day-ahead market is a market where electricity is bought and sold in advance of the day of use. The day-ahead market is a market where electricity is bought and sold in advance of the day of use.

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BUSINESS AND THE ENVIRONMENT

Utilities unite in E7 club

The chairman of eight of the world's largest electric utilities meet in Tokyo tomorrow to establish a co-operative framework for promoting "sustainable development" on a global scale. They have formed a club - called E7 after the G7 group of large industrialised countries - to support joint action. Its aims range from informal discussions about energy policy to practical consultancy work in developing countries and the former Soviet Union.

Early proposals include the promotion of solar power in Indonesia and Malaysia, pollution control in India, clean coal technology in China and hydroelectric development in Georgia. A small E7 secretariat in Montreal, Canada, co-ordinates the projects.

The eight utilities include two from Canada and Japan and one each from Italy, France, Germany and the US. Two of the club's leading figures are Gilles Menage, chairman of Electricité de France, and Maurice Strong, chairman of Ontario Hydro.

The UK is the only G7 country not represented. After the privatisation and restructuring of the electricity industry, there is no British company which satisfies the E7 rule that members should be integrated utilities both generating electricity and selling it to consumers. There is likely to be a debate in Tokyo about whether to expand E7. "It seems too bad that we cannot have a British member when the UK has led the way in restructuring its power sector," said one participant.

But the priority will be to convince funding agencies such as the World Bank and the European Bank for Reconstruction and Development that the club is not a vehicle to promote its members' business interests. They will give their experts' services free of charge to E7 consultancy projects.

Clive Cookson

Rivers have natural colours. They may look grey and uninviting in winter, but that is the way they are. Rivers are not for colouring by stray effluents from a textile plant. That is aesthetic pollution.

So much is agreed by the National Rivers Authority, the official guardian which sets the standards of Britain's water purity, the water companies whose sewage plants expel treated effluent into the rivers and the textile companies whose dyes are the source of the colour.

"The removal of colour from dye-house waste waters is currently a major problem in the textile sector," says Peter Cooper, technical executive of Courtauld Textiles. The problem is concentrated in three areas of the UK Midlands: around Leicester and Loughborough where, with about 100 mills, there is the most intense concentration; around Leek; and in the Erewash Valley. All are in the region covered by the operations of Severn Trent Water.

Purple and black are "persistent and noticeable" according to Brian Waters, the NRA's area general manager for the Severn Trent region. The dyes are not toxic. "Their main problem is that they're consistent and they're not removed by conventional sewage treatment systems," he says.

There are possible solutions but none so far available at a price which industry finds acceptable. In an ideal world, colour would be eliminated from effluent running into the sewage system at the dye-house. But, warns Barry Hazel, director of the Textile Finishers' Association: "If every site has to do its own treatment, there's a risk quite a few of the small companies would go out of business. The capital costs frighten the dye works."

The plants would cost £2.5m, a considerable investment for companies with up to 100 employees, turning over between £5m and £10m a year. They operate in a harsh commercial environment, where longer term investment decisions are rare.

Many companies would prefer to push the colour problem away. There needs to be cost-benefit analysis and "there is a need for Severn Trent Water to accept responsibility," according to John Harrison, director of the Knitting Industries' Federation.

Severn Trent, however, feels caught between industry and regulator. "Sewage works are not designed to cope with these issues," says David Woods, the environmental director.

"The NRA response [to the colour question] is to go after us. They are imposing very stringent colour consent conditions - or they've been



A costly colour run

Textile dye pollution is turning some of Britain's rivers purple. Paul Cheeseright reports

seeking to impose them," he says.

Pressure on Severn Trent was one way of forcing the issue on the textile companies: water companies in their turn can place restrictions on the industrial waste they will accept in their sewage works. "The proper way to tackle it is at source," says Waters, mindful that the Water Act 1989, which set up the NRA, embodies the principle that "the polluter pays".

With companies worried about high capital outlays, the easiest solution for them is to pump the coloured waste into the sewer and leave the question of separating out the residual dyes and disposing of

them to the water company. But Severn Trent has also had its problems: it has spent around £5m on a treatment plant at Leek without finding a foolproof economic solution.

As Cooper comments: "Apportionment of costs is more difficult to arrange than reaching a technological solution." But the NRA attitude concentrated minds in the textile and water industries. Discharges to rivers are controlled by "consents", or authorisations by the NRA. It can review these consents and threaten to withdraw, from the beginning of this year, those where discharges were putting colour into

the rivers.

Brandishing its consent powers, the NRA has given an urgency to work on solutions to the colour problem, which was already under way. It has removed its threat to withdraw consents in exchange for a collaborative programme with industry to eliminate colour from the water over about three years.

"I thought two years ago there was a technology void. Now, I'm beginning to worry about time-scales to turn ideas into the ultimate panacea. I think now that treatment will have to be different for each business unless Severn Trent Water can do anything at the sewage works," Cooper says. Certainly, the range of technological solutions is varied.

The collaborative approach to environmental problems which are bigger than any single company has been used before in the textile industry - and worked. The Textile Finishers' Association, four companies and the Department of Trade and Industry have just completed a £290,000 study of waste minimisation and effluent treatment.

In the process, a way has been found to treat pentachlorophenol (PCP) - a toxic substance on the EU's red list of nasty chemicals - used to stop mildew forming on cloth in transit and washed out in the mills during scouring. Big changes have taken place in the technology, says Hazel. "All PCP used is in closed systems. Before, it was swilled down the drain." At the same time, the mills have persuaded the cloth importers to specify materials to which no PCP has been applied.

There is no such simple answer to the colour problem. Over the short to medium term, efforts will be concentrated on treating the waste water either before or after it goes into the sewage system. But over the longer term the most effective solution may be to tackle the problem at its source.

Cooper has noted that this has been applied to the colour problem on three levels: improving the ability of the dye molecules to stay on the material so that fewer escape as waste, changing the molecular structure of the dyes so that they are more readily biodegradable and the recovery and reuse of dye colours which otherwise become effluent.

The difficulty is that the scientific solutions reduce the choice of colours for the consumer. The water companies are caught between the regulators and the mills and the mills are caught between two sorts of consumers. One sort wants bright coloured clothes, the other wants clean rivers. The two demands need not be mutually exclusive - if there is somebody to pay the bill.

Alison Maitland on the EU's first environmental audit for farms
Best practice for survival

Farmers pride themselves on being the guardians of the countryside. So it is perhaps surprising that many of them have given little thought to measuring production methods according to their impact on the environment.

This week, however, the European Union's first environmental audit for farms was launched in London. The brainchild of Leaf (Linking Environment and Farming), a British organisation promoting profitable but environmentally-friendly farming, the audit has won support from government, conservationists, supermarkets, banks and even agrochemical manufacturers.

Farmers' very survival could depend on adopting practices such as careful pesticide use, crop rotation and energy conservation which the audit is designed to monitor, according to some of the speakers at the launch.

"Care and concern for the environment does not necessarily add cost, but lack of quality certainly does," says Don Phillips, sales marketing director of Dalgety Agriculture, the UK grain trader, which helped sponsor the audit.

"We need to associate ourselves with farmers who clearly understand the need for best farming practices. They will be the survivors."

Gillian Shephard, the UK agriculture minister, glimpsed the potential for countering Britain's £5bn trade deficit in food and drink. "I hope that carrying out this exercise will help farmers get and maintain markets for their produce by building a better image for their products," she says.

Leaf is part of a pan-European project to promote "integrated crop management". This involves using crop rotations and natural predators to reduce reliance on pesticides and fertilisers, along with positive management of the landscape and wildlife habitats.

For the agrochemical companies, environmentally-sensitive farming is preferable to a public backlash against all chemical inputs if

intensive production methods continue.

Initially the audit is being targeted at larger farmers. Those with 100 hectares or more will be invited to buy the questionnaire, which costs £20 and takes about two hours to fill in, according to Leaf. It is divided into eight sections covering the landscape, wildlife habitats, soil management, crop protection, energy conservation, pollution control, animal welfare, and farm planning and organisation.

Caroline Drummond, co-ordinator of Leaf, hopes the audit will be used by about 8,000 British farmers in the first year and eventually be taken up as an annual exercise "by the industry as a whole". Self-assessment by farmers is the first step, but Leaf is considering a three-yearly external audit to monitor the scheme if there is demand for it.

René Stelchen, EU agriculture commissioner, backed the "integrated" farming approach in a speech in Brussels last month. Surpluses could not be reduced just by price cuts, compensatory payments and trying fallow arable land, he said. "Farmers must optimise their production costs, adapt to market forces and compete by producing goods with a high level of defined quality, for which they can command attractive prices without the need for agricultural subsidies."

Some farmers at the launch remained unconvinced. Hugh Oliver-Bellisle, a member of the council of the National Farmers' Union, said he feared that maintaining high production standards would put UK farmers at a disadvantage to producers using cheaper methods elsewhere. "In vegetable production, there are some very nasty, very cheap insecticides on the market, and there are some very good, very safe products which are considerably more expensive," he said.

But Geoff Spiegel of J. Sainsbury, the UK supermarket chain, insisted the same standards applied to all the group's suppliers.

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THE WEEKLY NEWSPAPER FOR EUROPE

PEOPLE

Des Wilson takes off for Heathrow

BAA, the privatised UK airports operator, is enlisting Des Wilson, one of the country's most experienced lobbyists, to strengthen its hand in the public inquiry over the company's controversial plans to build a fifth terminal at London's Heathrow airport.

A former president of the Liberal Party and the party's campaign director in the 1992 general election, Wilson founded Shelter, the national campaign for the homeless, as well as a former chairman of Friends of the Earth UK and ran CLEAR, which campaigned for lead-free petrol.

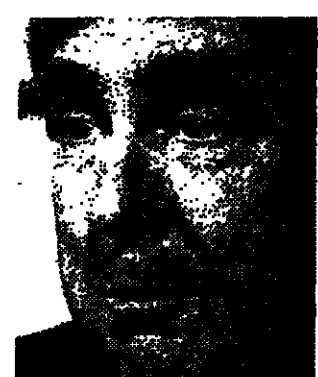
He is currently vice-chairman, public affairs, worldwide, of Burson-Marsteller, one of the leading international public

relations firms.

He has also been a columnist for both the Guardian and Observer, a deputy editor on the Illustrated London News, and head of public affairs for the Royal Shakespeare Company.

Wilson will join BAA at a time when the airports operator is preparing itself to fight a long and difficult planning inquiry for the construction of Heathrow's fifth terminal estimated at between £200m and £300m. The inquiry is expected to start in spring 1995 and to last about three years.

BAA claims the new terminal is critical for the future of Heathrow, the world's busiest international passenger airport and one of the most congested.



Wilson is appointed director of corporate and public affairs and will become a member of BAA's top management team reporting to chief executive Sir John Egan; he joins in September on completion of Burson-Marsteller's recently won contract to re-launch the TUC, and replaces Terry Morgan who next week becomes managing director of BAA's Stansted airport.

Sandy Stewart to chair Scottish Amicable



If Scottish Amicable, the mutual life insurer, ever wishes to flex its muscles in Thailand, it has made a wise decision in the appointing of Sandy Stewart as its non-executive chairman. For among his many other activities he also squeezes in time to act as Thailand's honorary consul in Scotland.

Stewart, 60, is taking over the stewardship of Scottish Amicable from William Brown, 64, who was chairman from June 1989 following the death in office of William Cuthbert. The normal duration for a chairmanship is two periods of two years. Brown remains a non-executive director of the company. Sir Ronald Miller has been appointed deputy chairman.

Scottish Amicable's 13 member board has just three executive directors, with Roy Nicolson, 48, as managing director.

One of its more senior figures, Lord Elgin, has just retired on reaching 70. The title of president of the board will also retire with him, in recognition of what the company describes as his "unique contribution to Scottish Amicable". He was a director since 1970 and president since 1975.

Born in Edinburgh, Stewart is a solicitor by training, a former partner of McGrigor Donald, specialising in company law. He is also a farmer, and acts as deputy lieutenant for the county of Perth. He joined Scottish Amicable's board in 1985.

As for his Thai consultancy - it is clearly more than just an honorary title. Next week he will be shepherding a senior Thai government minister through the highways and byways of the Scottish business and political world.

Margaret Belson, Stephen Matzane and Peter Sweet have been appointed directors of C.T. BOWRING & Co (Insurance). David Ivey has been appointed a director of Carpenter Bowring. Mark Gregory has been appointed a director of Bowring Worldwide Insurance Brokers.

David Bading has been appointed group secretary and group compliance officer at LEGAL & GENERAL GROUP on the retirement of John Neill.

Bodies politic

David Steff, a director of Marks and Spencer since 1972 who is currently responsible for corporate and external affairs, is to be chairman of the NATIONAL LOTTERY CHARITIES BOARD.

Steff, 55, has been appointed to devote on average two days a week to working for the board, which will be responsible for distributing 20 per cent of the proceeds allocated to good causes.

He is a member of the Horserace Totalisator Board, chairman of the Personnel Standards Lead Body and a member of the National Board for Crime Prevention.

Earlier appointments include part-time membership of the Board of the National Freight Corporation, chairman of the North Metropolitan Conciliation Committee of the Race Relations Board, and membership of the Policy Studies Institute.

Voluntary sector experience includes being a founder and serving on the board of Business in the Community; chairman of Racing Welfare Charities and a trustee of Glydebourne Arts Trust.

David Tyson, of Sidlaw Packaging, has been appointed chairman of the PACKAGING AND INDUSTRIAL FILMS ASSOCIATION.

Michael Walker, chief executive of Clive Discount, has been appointed chairman of the LONDON DISCOUNT MARKET ASSOCIATION.

Morgan and Thomas to put steel into G.M. Firth

Peter Morgan, 58, who steps down as director general of the Institute of Directors in July, is teaming up with Sir Alan Thomas, head of the government's defence sales organisation, to try and revitalise the fortunes of G.M. Firth (Holdings), the small Wakefield-based engineering company with a turbulent past.

Morgan, who spent 30 years with IBM before being headhunted for the IoD job in 1989, has been appointed a non-executive director of G.M. Firth (Holdings). The loss-making group, currently capitalised at £14.5m, recently had a £4m rights issue to repair its balance sheet and announced that Sir Alan Thomas, 51, a former Raytheon executive, would take over as executive chairman in July when he finishes his MoD job.

The two men go back a long way together. They both hail from Wales, made their names in computers and have more than a passing knowledge of the steel business. Morgan's first job was programming computers for the Steel Company of Wales and he came to know Sir Alan during his IBM days because Sir Alan's Data-logic was an important IBM customer. Having sold his company to Raytheon, Sir Alan continued as a senior Raytheon executive. They took up their posts at the IoD and the MoD at the same time.

Morgan is a non-executive director of South Wales Electricity and National Provident, and is also an adviser to Apax Partners, the venture capital firm.

Other non-execs

Sir Desmond Pitcher, chairman of North West Water, at NATIONAL WESTMINSTER BANK. Sir Michael Angus has retired as deputy chairman but remains on the board.

Sir David Kinloch, a director of Caledonia Investments, as chairman at THE FLEMING CHINESE INVESTMENT TRUST. Michael Miles has resigned and also from THE FLEMING FAR EASTERN INVESTMENT TRUST.

Barry Spencer as chairman of BTG.

ARTS GUIDE

Useful idea the holiday. Helps you put things in perspective. Beautiful Umbrian hillside, nice old farmhouse. Why not read *David Copperfield*? Bit long: 836 pages in the excellent £1 Wordsworth edition. But it's a treat. A joy. I had forgotten that although Dickens was a barnstormer and a sentimentalist, he was, first, a master of character and narrative, and set out to give his readers enjoyment. His books still do.

We are told Dickens would have been at home in the television age because, like so much fiction on television, his work is episodic, having been written as part-works for monthly publication. There is probably less to this than meets the eye. The question I bring back to the old green sofa in London is simple: although I spend much of my time defending television and arguing that, as in most other aspects of life, the best is very good, do I ever get as much pleasure from it as I get from reading *David Copperfield*? The answer after one week back in front of the screen is a qualified no.

The first programme I see is a new comedy series called *Once Upon a Time in the North*. BBC1 seems to have invented it to show that Bernard Hill, flavour of the decade, who has done everything else from Yasser to a police chief, can also turn his hand to comedy. Well, yes, it seems he can, but is that surprising when the material is as undemanding as this? Hill is saddled with that standard comedy figure in the age of feminism: the useless paterfamilias. Out of work, unable to do even the smallest thing (putting a message on an answering machine), he is treated with contempt by everyone from wife to youngest child. This might have seemed novel, shocking and funny in, say, 1950 when patriarchy was still the norm, but in 1994 it is time British comedy writers caught up with their American cousins who moved into the post-feminist age four or five years ago. I itch to get back to *David Copperfield*.

Instead I watch *The Lifeboat*, an episodic drama (BBC1 again) featuring a group of characters brought together by the dangers of the sea. But where in this soggy, soapy story of darts and extra marital sex is there a single character as memorable as Copperfield, Steerforth, Traddles, Betsey Trotwood, Uriah Heep, Agnes Wickfield, Peggotty, Ham, Little Em'ly, Dora, Rosa Dartle, or



Comedy in a feminist age: Bernard Hill as the useless paterfamilias in 'Once Upon a Time in the North'

Television/Christopher Dunkley

No match for Dickens

Doctor Strong? You could list a dozen more: even minor Dickens characters such as Barkis the carrier, and Creakle, the Chenevix-Trench of his day, have more life in them, more vividness, than the entire cast of *The Lifeboat*. Good grief, Jip the dog is more memorable than the characters in most of last week's television dramas.

There was one programme which did have something of Dickens' power to evoke the very smell of its milieu. *Family* (yet another from BBC1) on Sunday, the first in a four-part drama written specifically for television by Roddy Doyle, author of *The Commitments* and *The Snapper*, reeked of Dublin. Its portrayal of Charlo, the violent, thieving, lying, brawling, unfaithful, unemployed paterfamilias, was very powerful. Indeed, even after all these years of working class realism in television drama, Doyle

and superb acting from Sean McGinley - made this a truly shocking portrait.

The trouble lay in the bleakness. Though Doyle has shown us brutishness before, there have always been redeeming moments, but the opening episode of *Family* lacked even a hint of redemption. However much one may admire the professionalism of the production, that makes enjoyment difficult. Dickens painted some grim pictures, but his canvases were so broad, covering the whole of society, that it was almost impossible for the gloom to be unrelieved. In this, television is at a terrible disadvantage, being such a desperately literal medium. While print can leap in one sentence from the real to the imagined, from the literal to the metaphorical, from the inside of someone's head to the outside of the stagecoach in which he rides, television's cameras have a terrible tendency to bind you to the actual.

Perhaps that is why the most vivid and engrossing drama of the television week was not fictional but factual. *Watergate*, the first in a five-part series of BBC2 documentaries, began to re-tell the story of how men employed by the late Richard Nixon broke into the offices of his political opponents and, crucially, how Nixon and his cronies then plotted to cover this up.

One of the difficulties is that although producers Norma Percy, Mick Gold and Paul Mitchell are doubtless so familiar with every nook and cranny of the story that they cheered at every new morsel they unearthed, most of us, as non-experts, feel we have heard it all before.

However, this does not matter because here, at last, television comes up with a truly Dickensian cast and the sort of narrative drive that would have made the old boy beam with pleasure. What writer of fiction would dare

have Job Magruder deliver his reminiscences while dressed as a priest? And follow that with a performance from Gordon Liddy - seemingly in front of a table spread with hand guns - which makes Micawber seem quiet and retiring?

Having roped in just about everybody who played any part (as with her outstanding series *The Second Russian Revolution*) Norma Percy has once again made the process of telling true stories on television look easy. Yet when you think of the interviewing and then the editing which must have gone into this apparently seamless narrative, with John Dean picking up from Haldeman, or Ehrlichman seeming to take his cue from Alexander Haig, you realise that this is the art that conceals art.

As a collector of eccentricities and one-time political reporter, Dickens would have loved it.

The Ralf Ralf illusion

The brothers Jonathan and Barnaby Stone - a.k.a. Ralf Ralf - are so crazily concerned with illusion and with theatricality that I would call them baroque artists if I did not feel that might lead to confusion. They are entirely modern, and they keep presenting you with satires of modern life. But in their current show *It's Starring You Right in the Face* - which launches this year's Barclays New Stages season at the Royal Court - they play sketches-within-sketches and roles-within-roles, so that you are seamlessly led from one stage event into another. They even wear suits-within-suits. Again and again, they make uncanny jokes about fake spontaneity. They present several sketches as if they were TV presenters, and we the studio audience; they catch perfectly the awful, synthetic manners of such people, even though most of the time they are speaking not English but a brilliant jargon of jargonese. They conduct an entire chat show in this lingo, through

which somehow they reproduce the inflections of real English as it is spoken on TV, so effectively that the audience cackles. And, while one of the star guests reads a nonsense poem with richly inflected sincerity, the show's presenter quietly slips off into sleep.

Then the guest poet turns the words of his poem into a kind of hypnotism on the TV presenter... and from then on we no longer know where we are. Is everything that follows part of the presenter's trance? Even when the whole show suddenly (as if we had switched channels and found ourselves watching American TV) becomes a Bible-belt show? People with casting devils, handing over all worldly goods, and leading on "live" members of the audience to sing the praises of Him... all of which is achieved in more coherent nonsense language, with every twanging vowel somehow speaking of the religious fervour of the American South.

Behind these satires is a disturbing vision. You laugh at

the soul-baring of this religious event, but you also know the alarming realities it evokes. You laugh at the comedian smoothness of other TV presenter types, while knowing that their banality is one of the most depressing features of modern life. You laugh because Ralf Ralf shows how fake these things are; but you are disturbed because you know how effective they are. And the connection of reality and illusion keeps you happily bewildered.

This is a considerably revised and improved version by the way (it toured from the middle of 1993 until early '94). There are still moments when the show gets stuck in a groove, but these do not last long now. And the show's structural ingenuity is far more apparent and far more baroque. Does the word baroque does confuse? Ralf Ralf confuses too, and brilliantly.

Alastair Macaulay

At the Royal Court Theatre until June 11

Falling over England

There is one minor surprise in *Falling Over England*. Harry Cowper, the man who has risen from sub-lieutenant to captain during six years in Egypt, wants to go into politics when he comes back from the second world war. He chooses the Tory Party, not Labour.

In the event, his wife declines to let him stand since she does not want to live in Tintagel, even for the odd weekend, nor in London either. So the political ambition has turned out to be something of a red herring. It has merely served to establish Cowper as a bit of a boomer: anti-foreigner, mildly corrupt, pro-public school and generally refusing to grow up.

Julian Mitchell, the author, seems reluctant to grow up, too. *Falling Over England* is the sort of play that should have stopped being written around the mid-1960s. It has three periods: 1945 and the end

of the war, 1958 - the year of Suez, and the present day. Suez is dominant. Cowper's 20-year-old son, Matt, leaves the country rather than respond to the call to enrol as a paratrooper during the Suez campaign. The father dies of a mixture of drink and incomprehension.

By the present day, the same Matt is having problems with his own son, Tom, who has unleashed a load pigs onto the M4 in the interests of animal rights. His Oxford career may be jeopardised.

The message is that English family life, in its rather unpleasant way, goes on: tea in the garden, the move from mild idealism in youth to mild reaction in middle age. As Matt, now Matthew puts it: "When I was Tom's age I thought there'd be no public schools by now. Or private medicine. Or dukes with millions of acres... I thought people could be educated to a

higher standard. Nothing's happened." The only change is a debate in the Cowper family on whether the next generation might possibly go to a state school: there is a passing reference to someone reading law at Durham. All the characters are stereotypes except the daughter Sarah, who has a kind of independence in her painting and journalism, but seldom steps far out of the family line. The aim cannot be to see because the characters are not strong enough; nor is it affection since most of them are so unattractive and *Falling Over England* is certainly not comedy - more old-fashioned soap.

James Lauroson plays the elder Cowper. Matthew Francis directs.

Malcolm Rutherford

Greenwich Theatre. (081) 858 7755

The Wasteland

This is not called, you will notice, *The Waste Land*: this "thriller opera" has nothing to do with T.S. Eliot, oh no, certainly not. *Not literally*, anyhow - because the pernicious Eliot estate forbade the use of any name or recognisable phrase from the sacred text.

The estate is odd that way. For several years after his friend Stravinsky set "The Dove Descending" as a cantata, Eliot's poem could not be reproduced in programme notes for performances. The ban seems now to have been lifted for "serious" music, and of course *Cats* was acceptable (and very profitable) - but not, apparently, a scintillating parody like Martin Rowson's comic-book "Waste Land", which was the basis for this show.

Luckily, *The Waste Land* does provide a loophole which the librettist Andy Rashleigh and composer Stephen McNeft have exploited with glee. Some of its best-remembered lines are quotations from

other sources, and they get mischievously prominent settings here. Nor are the mythical seers Tiresias and Sesostris pure inventions of the Master, so they can appear with their own names (or almost; just for safety, the seeress is spelt "Sesostris").

All this is byplay, however, for the basic joke is to turn *The Waste Land* into a Raymond Chandler mystery. Rowson's knowing cartoons overflow with visible puns and gags. In the Modern Music Theatre Troupe's operatic version, crisply directed by Caroline Sharnan, they meld into a cod film noir, which has to trail the perpetual Eliot references with less recourse to Lit-Crit visuals. The private-dick hero, cutely called "Chris Marlowe", only speaks (Matthew Aldridge looks wearily right through it) as a spokesman for the librettist Andy Rashleigh and composer Stephen McNeft have exploited with glee. Some of its best-remembered lines are quotations from

ister figures and cops.

That gives each of them a crack at a flashy cameo or two. There is plenty of action, variety and contrast, crucially underpinned by McNeft's score: pitched between Kurt Weill and Sir Arthur Sullivan, leaning this way and that as opportunity dictates. More strenuously chromatic than either of them, more than a big commercial musical would risk; but economical, craftsmanly - there are a couple of very ingenious ensembles - and endearingly loyal to the film noir sound.

The excellent singing cast take to it easily, flattered by the Donmar acoustic. Something irretrievably Lit-Crit-clever clings to the piece; for maximal appreciation, you should re-read *The Waste Land* just before you go.

David Murray

BOC Covent Garden Festival: at the Donmar Warehouse until Saturday

Opera/Richard Fairman

Giordano's 'Fedora'

takes us on a charter trip from the Winter Palace in St. Petersburg to an aristocratic salon in Paris and the mountains of Switzerland.

If the composer had been Verdi, he might have focussed on some political or social issue. If Puccini, he would have invested the characters with deeper emotional psyches. Instead, as humble Giordano, he was content to put the music to a creaky outline of a period thriller. For an opera lasting barely 90 minutes *Fedora* remarkably manages to seem too long, forever stalling before making its next point. At the dénouement, as the hero stands around helplessly, one wants to call out, "It was her. Don't you see? She did it!"

The music needs pace at all costs if it is to build up any feeling of anticipation, but Edward Downes was not in a hurry. The opening scenes do have

some theatrical bustle written into them, but here the smaller parts had to work hard to make the business look busy. Jonathan Summers gets the main supporting role as the diplomat, Dr. Sir. Judith Howarth needed more fire for her song on the delights of Veuve Clicquot (is this one of the earliest cases of "product placement"?)

Fedora herself is any diva's dream of a role - a Russian princess, who makes her entrance swathed in white fur, dripping in diamonds (one audience applause). The role asks for an extravagant soprano who is unashamed at playing the Joan Collins of the verismo dynasty. Mirella Freni is not that kind of singer and her performance is more about being thrifty, using a few well-chosen gestures for the character and pressing her bright, contained voice to do duty for the lavish dramatic soprano it has never been. What she

does offer is Italian style in abundance.

Carreras sounded hard pressed in the tenor role. So long as he is able to sing loudly and get a grip on the consonants the music suits his present style well enough, but there is little in the way of phrasing, legato singing. He hangs on to some of the top notes more by will-power than anything else. Ever since we first saw him nearly 20 years ago, Carreras has given body and soul to every role he has sung and he does so again here. It is not his fault that poor Loris fails to touch the heart.

In the final scene Giordano lays on the agony: Loris's brother has been drowned in prison, his mother has died at the news, his lover has effectively killed off his family and betrayed him too. But do we care? Not for a minute. Real inspiration in an opera composer costs more than money can buy.

Royal Opera House, Covent Garden. Sponsored by Union Bank of Switzerland. Five further performances until May 27. Covent Garden Proms May 24 and 27. Live relay on big screen in piazza May 19

INTERNATIONAL ARTS GUIDE

BONN

Oper Tonight, Sat, Tues: La fanciulla del West with Sherril Milnes as Jack Rance. Tomorrow, Sun: Les Contes d'Hoffmann. Fri, Tues: Mont. Thomas Mohr song recital (0228-773667).
Beethovenhalle Sun: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Beethoven's Fifth and Sixth Symphonies. Members of the orchestra also give concerts on Sat and Mon (0228-773666).

BORDEAUX

MAY FESTIVAL
Tonight and tomorrow at Palais des Sports, Gianluigi Gelmetti conducts Orchestre National Bordeaux Aquitaine in works by Britten, Mozart and Tchaikovsky, with soprano Danielle Borst and piano soloist Maria Tipo. At Grand-Théâtre, François-René gives a piano recital on Sat evening. Alan Lombard conducts a Haydn programme on Sun afternoon, and

Gunter Wagner conducts Rossini's Petite Messe Solennelle next Tues. There is also a recital series at castles in the surrounding region, featuring distinguished soloists such as Jean-Bernard Pommier, Victor Tretjakov, Yuri Bashmet and Alexander Baile. The festival runs till May 20 (5648 5854).

COLOGNE

Philharmonie Tonight: James Conlon conducts Gürzenich Orchestra in works by Zimmermann, Bartok and Janacek. Tomorrow, Fri: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Ravel and Debussy. Sat, Sun: Claudio Abbado conducts Berlin Philharmonic Orchestra in two programmes, including Mahler's Ninth Symphony. Mon: WDR Big Band plays Duke Ellington. Next Tues, Wed: Hans Vonk conducts Cologne Radio Symphony Orchestra in Bartok and Stravinsky, with piano soloist Mikhail Rudy (0221-2801).

COPENHAGEN

Royal Theatre Tonight, tomorrow: John Neumeier's ballets set to Mahler's Des Knaben Wunderhorn and Fifth Symphony. Fri, next Mon and Wed: Heinz Fricke conducts Nicolas Joel's production of Lohengrin, with alternating casts including Poul Elming and Tina Kiberg. Sat: Don Pasquale. Tues: Così fan tutte (tel 3314 1002 fax 3312 3692).
Tivoli Tonight: Tokyo Quartet plays string quartets by Haydn, Barber and Debussy. Fri: Hiroyuki Wakasugi conducts Tivoli Symphony Orchestra

in works by Yuss, Mozart and Richard Strauss. Sun: Copenhagen Symphony Orchestra plays Dvorak and Elmsley-Korakov. Next Tues: Isaac Stern violin recital (3315 1012).

DRESDEN

DRESDEN FESTIVAL
This year's programme (May 21-June 5) is inspired by August the Strong, whose accession as Saxon ruler 300 years ago heralded a golden era in Dresden's artistic life. Visiting baroque specialists include 16 Soloist Veneil, Concerto K&N and Virtuosi Saxoniae, and there will be a chance to hear rare choral and operatic works by Telemann, Hesse and Handel. Other highlights: Bach's B minor Mass conducted by Riccardo Muti, Capriccio with cast headed by Felicity Lott, and Alfred Brendel playing Mozart. Repertory at the Semperoper over the coming week includes Parsifal and Der Rosenkavalier, plus a Barbara Bonney song recital on Mon (tel 0351-486 9666 fax 0351-486 6307).

FRANKFURT

Alte Oper Tonight: James Levine is conductor and piano soloist in a Mozart and Mahler programme, the first of four with the Metropolitan Opera Orchestra and Chorus. Tomorrow: concert performance of Der fliegende Holländer with James Morris, Ben Heppner and Deborah Voigt. Fri: Lombardi with Agnès Millo and Luciano Pavarotti. Sat: Die Walküre Act 1 and Götterdämmerung Act 3 with Siegfried Jerusalem, Waltraud Meier, Gwyneth Jones and Wolfgang

Schmidt (069-134 0400).
Oper Tonight, Fri: Cornelius' comic opera Der Barbier von Bagdad. Tomorrow, Sun, next Wed: Guido Johannes Rumstadt conducts Nuria Espartero's production of Elektra, with Janis Martin and Livia Budal. Sat: Frankfurt Ballet in choreographies by William Forsythe and Amanda Miller (069-238061).
Schauspielhaus Tomorrow, Fri, Sun: Frankfurt Ballet in choreographies by Miller, Rizzi and Schumacher (069-2123 7444).
Jahrhunderthalle Hoechst Fri, Sat: Warsaw State Opera in Offenbach's La vie parisienne. (069-360 1240).

HAMBURG

Staatsoper Tonight, Sat, Mon, Tues, Wed: John Neumeier's version of Swan Lake. Tomorrow, Sun (also May 20, 23, 26, 29): Gard Albrecht conducts Harry Kupfer's new production of Khovanshchina, with cast headed by Olga Borodina and Matti Salminen. Fri: Le nozze di Figaro (040-351721).
Musikhalle Tonight: Simon Rattle conducts City of Birmingham Symphony Orchestra in works by Bartok and Debussy. Tomorrow: Deutsche Kammerphilharmonie plays Brahms and Schoenberg. Fri: Karl Vikor Nielsen piano recital. Sun morning, Mon and Tues evenings: Gard Albrecht conducts Hamburg State Philharmonic Orchestra in symphonies by Beethoven and Allan Pettersson (040-354414).

HELSINKI

Finnish National Opera Tonight,

Sat: L'elisir d'amore. Tomorrow, next Wed: Carmen. Fri: Jorma Uotinen's new ballet Sonata in Glass, music by Sibelius (0-4030 2111).

LEIPZIG

Opernhaus Tomorrow: Don Giovanni. Sat: Britten's A Midsummer Night's Dream. Sun: La bohème (0341-291038).
Gewandhaus Sun: Anatol Ugorski piano recital. Mon: Horst Förster conducts Leipzig Academic Orchestra in works by Mendelssohn, Weber, Liszt and Gershwin, with piano soloist Ralf-Torsten Zichner (0341-713 2280).

MUNICH

MUNICH BIENNALE
Munich's fourth festival of new music-theatre runs till May 22 at various venues around the city. The main event this week is the premiere of Der blaue Stein by Paul Engel (b1949), about hostile behaviour towards foreigners (tomorrow, Sat and Sun at Muffathalle). Benedict Mason's football opera Playing Away receives its first performance on May 19, in a production staged by David Pountney and conducted by Paul Daniel (089-48098 614).
EVENTS
Staatsoper Tonight: Salome with Gwyneth Jones. Tomorrow: La Cenerentola. Fri: Don Giovanni. Sat and Sun: opening of week-long dance festival with Bavarian State Ballet's new American programme, featuring Elena Pankova, Evelyn Hart, Manuel Logris and Kiki Lammensen. Tues: gala featuring

Sylvie Guillem and other guests. May 20, 21, 22: National Ballet of Canada (089-221316).
Kammerspiele A new production of Shakespeare's The Tempest, directed by Dieter Dorn, has just entered the repertoire, alongside Bob Wilson's latest theatre piece and plays by Thomas Bernhard and Aeschylus (089-2372 1328).
Deutsches Theater Ballet Teatro Espanol presents choreographies by Rafael Aguilar, daily till Sun (089-5523 4360).

STRASBOURG

Théâtre Municipal A new production of The Makropoulos Case, staged by Bernard Sobel and conducted by Rudolf Krecmer, opens on Fri with a cast headed by Sofia Larson (repeated May 15, 24, 28 and June 3). Strasbourg Wind Quintet plays works by Dvorak and Janacek on Sat, and Florestan Quartet plays string quartets by Beethoven and Schubert next Mon and Tues (8875 4823).

STUTTGART

Staatstheater: Tonight: Don Giovanni, with cast led by Wolfgang Schöne. Tomorrow, Tues: Johannes Schaal's production of Wozzeck. Fri, Sat: Stuttgart Ballet in Marcia Haydée's version of Raymonda. Sun morning, Mon evening: Philippe Auguin conducts orchestral concerts in the Liederhalle (0711-221795).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.
European Cable and Satellite Business TV (Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230
MONDAY
NBC/Super Channel: FT Reports 1230.
TUESDAY
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345
WEDNESDAY
NBC/Super Channel: FT Reports 1230
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030
SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730.

Edward Mortimer



It would be wiser not to write about Rwanda. Very few FT readers want to know about it, and if they did I should not be the best person to inform them.

There may not even be anything one can usefully say, let alone do, about what is, for most of us in London and New York and Tokyo, a very far-away country indeed. Maybe we should be better off, and the Rwandans themselves at least no worse off, if we literally knew nothing of their affairs.

But that state of innocence is denied us. We have eaten of the fruit of the tree of knowledge, alias the global media network. We do know that "up to 300,000" people have been massacred in Rwanda since the death of President Juvenal Habyarimana on April 6. Even a mind like mine, long since numbed with the arithmetic of horror, finds that rather a large pile of corpses to pass by in silence.

So I am forcing myself to think about Rwanda, at least for a minute or two. To what purpose, you may ask. If those people insist on killing each other, is it any affair of ours? Can we be expected to fight their wars for them? How many troops would it take to stop this slaughter, and how long would they have to stay there? Wouldn't foreign troops soon become one side in the war, or even unite all sides against them? Aren't you advocating a new colonialism?

If those questions are asked about Bosnia, which is in the heart of Europe, and about which we have now had two years to educate ourselves, they are bound to be asked about Rwanda, an obscure ex-Belgian colony in the heart of Africa.

Let me answer the last one first, in order to avoid the others. At this stage I am not advocating anything, except that we pay more attention to these terrifying events and take them seriously.

I am willing to admit, and I hope it does not make me a racist, that as a European I feel more directly concerned by Bosnia than by Rwanda. But I have a strong and uncomfortable impression that many Europeans, including educated

A blot on the map

The genocide in distant Rwanda can no longer be ignored

and well-informed ones, do not feel concerned by Rwanda at all.

Part of the reason is probably that during the past month, while the Rwanda tragedy has been happening, the attention of almost all our Africa specialists has been riveted on South Africa. Indeed most of them have been physically there, caught up in the tense and moving dénouement of the epic struggle to end apartheid. They have had little time, and probably even less to spare of energy or emotional

Many Europeans do not feel at all concerned by the tragedy in Rwanda

commitment, for events elsewhere in Africa, as well as being less accessible to diplomats, exiles or relief agencies involved in Rwanda than they would have been at home.

But that is not the whole story. The truth is that Africa specialists in themselves are a dwindling and embattled breed. The South African election might even be their last hurrah. They have been finding it increasingly difficult to hold the attention of their colleagues and bosses for events in other parts of the continent where neither white lives nor foreign investments are at stake on a large scale.

We in the west, or north, have got into the habit of writing off, or struggling off, Black Africa as a hopeless case. We think of it as a grim and tragic story, but one told by an idiot, signifying nothing to the rest of the world. "Why can't Africans be more like Asians?" has

become the essence of our conventional wisdom on the subject.

That wisdom was challenged in a recent article in the Atlantic Monthly, which caused a bit of a stir when copies of it were distributed among the cream of the Anglo-American establishment at a recent foreign affairs conference at Ditchley Park, near London.

The author, Robert Kaplan, suggested that many parts of Asia, and even some parts of North America, are actually very like what we think of as typical Black Africa, and are going to get more so; and that even if more Asians than Africans are likely to join the privileged elite of global capitalism, that elite will increasingly have to spend its time in a kind of air-conditioned, heavily defended ghetto - since large areas of most big American cities, not to mention the urban sprawl between Hong Kong and Guangzhou, are already little safer or healthier than the anarchic, AIDS-ridden shanty towns in which so many Africans now live their short and miserable lives.

The article, entitled *The Coming Anarchy*, raised a very uncomfortable question: could it be that an "African" future - in which the majority of the world's population would have to live with endemic violence, rampant disease, soil erosion, malnutrition, and the collapse of family structures and values - is not the alternative to an "Asian" future of headlong economic growth, but actually the other side of the same coin?

Mr Kaplan raised that question. He did not answer it altogether convincingly. And anyway he was not trying to explain the genocide in Rwanda, which happened since he wrote the article. But he did succeed in making Africa a little harder to shrug off.

Meanwhile, there is another habit which western commentators need to break, namely that of lumping together victims and murderers, and of assuming that violence is deeply ingrained in any society where large-scale violence occurs, rather than looking for specific causes and indeed specific culprits.

Genocide does not just happen. It has to be carefully planned, and evidence is already coming out that this was the case in Rwanda, perhaps even more clearly than it was in Bosnia.

For years farm equipment manufacturers in the US and Europe have ploughed a lonely, and increasingly tough, furrow. Sales have declined as farmers have battled against recession and tended to buy fewer, larger tractors. Other opportunities - in Asia, for instance - have been slow to open up, and offer limited immediate rewards. Factories have been closed, merged or sold.

But in the last month there have been tentative signs of a revival of interest in the industry's growth prospects. Agco, the fast-growing Atlanta-based farm equipment group, has paid \$328m to buy Massey Ferguson, the UK tractor manufacturer based in the Midlands, from Vartiy, the US industrial group.

A day before that deal was announced, Tenneco, the Houston-based industrial group, said it intended to sell 35 per cent of its J.I. Case farm and construction equipment division via a public share offering. The decision apparently reflected a belief that it was a good time to sell.

If the deals go through, two diversified US corporations will have signalled a strategic shift away from the tractor and farm equipment industry. But others will have taken their place.

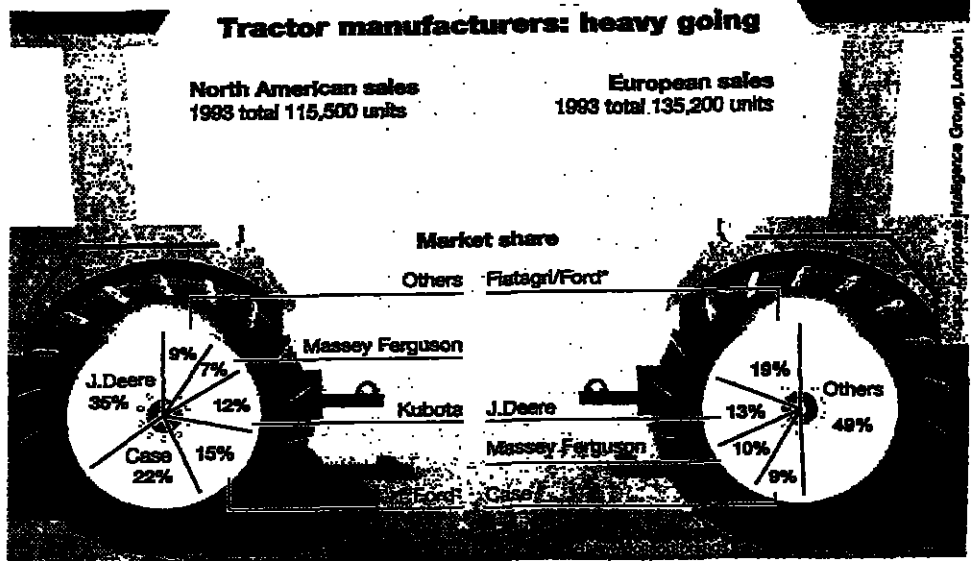
It is easier to explain the motives of the sellers than the buyers. Demand for the industry's products has sunk, resulting in serious overcapacity and financial losses for manufacturers. In the US, recession and the heavy burden of farm debts in the mid-1980s forced many farmers off the land and a consolidation of small farms into larger ones. The farmers that were left have bought larger, better-made tractors which last longer than they did 20 years ago. In consequence, North American tractor sales have fallen from 185,000 units in 1980 to 115,000 last year.

In Europe, tractor sales have plunged from about 300,000 in 1980 to 135,000 last year. This is because of the European Union's farm set-aside programmes, high interest rates which have dented farmers' willingness to invest, and farmers' "machinery rings" for sharing heavy equipment, including tractors.

Reforms to the Common Agricultural Policy in 1992, including cuts in cereal prices and increased compensation payments for farmers who take land out of production, have piled on the pressure. No farm equipment maker

Andrew Baxter and Laurie Morse on upheavals in the US and European farm equipment industry

Ploughs in search of fertile lands



escaped unscathed. Massey Ferguson, for example, has shut all its North American plants. In Europe, larger producers, which formerly had three or four tractor factories, have cut back to one or two. Case, for example, is to shut its Neuss tractor factory, near Düsseldorf, in 1996, leaving Doncaster in the UK as its only European tractor plant. It is also restructuring its UK and French operations.

Besides closing factories, farm equipment manufacturers are also sharing production. The most important deal was announced in January, between Renault, the French vehicle manufacturer, and Deere, the largest US tractor maker. Renault will supply medium-sized tractors to replace a Deere model currently manufactured in Mannheim, Germany, and Madrid. In return, Deere's plant in Saran, France, will supply diesel engines for Renault tractors.

Another result of the retrenchment has been a series of big takeovers, mainly in the US. Once-thriving enterprises have been swallowed up as their losses have become unsustainable - most of International Harvester, the US farm equipment group, for example, was bought

by Case in 1985. In Europe, the process of retrenchment seems far from complete: it still has at least 40 tractor producers, many with very small market shares and declining volumes.

In the past year market conditions have improved. UK tractor sales are at their highest level since 1989, while in the US "there is a mini-boom taking place", says Mr Eli Lustgarten, analyst with PaineWebber, the US broker. But rather than reversing the trend towards retrenchment, some large farm equipment manufacturers have taken the revival as a chance to sell up.

Explaining why his company sold Massey Ferguson, Mr Victor Rice, Vartiy's chairman, says it sees stronger growth in its other businesses - diesel engines and automotive braking systems. Tenneco, too, says it will redeploy proceeds from the sale of its stake in Case - expected to be about \$500m - into less cyclical, higher-growth businesses, such as automotive parts.

Their decisions reflect an assumption that, notwithstanding the current revival, the long-term outlook for the tractor and farm equipment industry is bleak.

Mr Dominic Chauvin, Massey's president, says the takeover could bring new opportunities for Massey's plants at Coventry and Beauvais, France, as Agco moves to exploit its expanded global base through broadening sales of farm equipment lines acquired in the US over the past three years.

Mr Chauvin says there is also potential for growth in developing countries of the Far East and in eastern Europe, although sales are constrained because local farmers rarely have sufficient finance to buy expensive tractors. "As soon as there is a mechanism for improving financing, there should be additional opportunities," he says.

Such patience requires a long-term commitment to the farm equipment industry. But the larger manufacturers remain in the industry appear confident of reaping global returns from a global market where much of the ground is story.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competitiveness matters in the real world

From Mr Douglas McWilliams.
Sir, As someone who has done as much as anyone to awaken interest in Europe's competitive difficulties, I find it unfortunate that your leader, "Jobs agenda for Europe" (May 9), repeats uncritically the assertion by the economist Paul Krugman that Europe's competitiveness "is not the burning issue".

Since 1980, European economic growth has averaged 0.4 per cent per annum less than the OECD as a whole. Few forecasters, if any, expect any catching up in the near future. Over the same period the European Union's share of the world non-commodity exports (if trade within Europe is excluded) has fallen by more than a quarter. European investment in innovation as a

percentage of gross domestic product is running 25 per cent lower than that in the US and 30 per cent lower than in Japan. As a result, it is not surprising that the proportion of European industry described as "high technology-based" in 1990 was only 14.5 per cent, compared with 19 per cent for the US and 20 per cent for Japan.

One of the causes of those problems is lack of profitability. OECD figures show that the real return on capital in the business sector from 1981-91 was 15.4 per cent in the US, 14.3 per cent in Japan and 12 per cent in Europe. This is partly because European hourly labour costs are about a fifth higher than those in the US, while industrial productivity is about a quarter lower.

Moreover, the economic difficulties resulting from Europe's competitive problem of being a high cost economy with only medium levels of skills and technology will be exacerbated in coming years by the likely pattern of world economic development, especially in Asia and South America.

Because Europe's problems go beyond labour markets, the overhaul of labour market regulations and of labour taxes and benefit systems which your leader correctly recommends is unlikely to be sufficient on its own to solve Europe's jobs problem. In addition, deregulation, privatisation, lower levels of taxation generally and the ending of the subsidies and protectionism that preserve inefficient industries in Europe will also be

required. Even then, reversing Europe's declining ability to create jobs may take a generation to achieve.

Your leader's assertion that the concept of competitiveness "in relation to an entire economy... lacks much meaning" is based on the academic notion that exchange rates can always adjust freely to handle competitive imbalances.

But in the real world devaluation normally adds to inflation and worsens the terms of trade. This is why competitive problems are just as likely to result in deflation, leading to loss of jobs, as devaluation. Douglas McWilliams, chief executive, Centre for Economics and Business Research, 18 Kent Terrace, London NW1 4RP

No right to speculate

From W.A. Gamble.
Sir, Your article on retail recovery and cash surpluses ("Feasting some of the people", May 5) highlights an issue which is fundamental and yet is all too infrequently addressed. Whereas the analyst who advocates the return to shareholders of cash surpluses which are beyond the immediate needs of the business has an unassailable case, the arguments (pleadings) against are devoid of substance and cannot be sustained.

The twin suggestions emanating from directors of companies featured - that share buy-backs and special dividend payments would be "... judged poorly by investors..." and "... would be indicative of a moribund management team with no ideas..." - are in each case fatuous. There can be few recorded cases of investors being opposed to receiving a payment of cash which belongs

to them, and the implication that investors cannot come up with ideas of their own on how to deploy their surplus cash is both arrogant and insulting.

Managements (ie, the servants of the owners of the business) should be aware that it is not their function to speculate with their owners' money in fields beyond their briefs and outside their areas of competence. While this may clip their wings in a manner they find irksome, experience suggests that by being restricted to activities which they know and understand, even though these activities may be "mature", they (and their shareholders) are more likely to prosper than if they are permitted to speculate with money which does not belong to them.

W.A. Gamble, *Barclays Bank, 100, Gerrards Cross, Buckinghamshire SL9 8HD*

Japan's regret for the past

From Mr Akihiko Fukunaga.
Sir, Your article, "Japan withdraws atrocity claim" (May 7/8), has some historical misunderstanding. It says that Japan "lags far behind Germany in voicing official regret for the past", but from 1984 to 1976 Japan paid enormous amounts of reparations to its neighbouring 12 countries. It even paid reparations to prisoners of war of 14 countries in 1965 (including the UK). Germany never paid "official reparations" to its neighbouring countries (except victims of "scientific" experiments). It only compensated victims of the Holocaust and Germans who suffered persecution.

It is difficult to compare what Nazi Germany and Japan did during the war. Nazi Germany was dominated by an organised violence; the Nazi party tried to liquidate its political opponents, several races, cultures and civilisa-

tions. This is quite similar to the Stalinist Soviet Union (I have never heard that the Soviet Union apologised or paid reparations to its victims). The "crimes" Japan committed were colonisation, killing of civilians and ill-treatment of POWs. Every country has at some time committed these "crimes" (I have never heard of any country apologising for committing these "crimes" except Japan).

It is difficult to evaluate and reflect history because, unlike natural science, it does not have only one answer. If we changed our viewpoints, there is a totally different dimension. I am not defending militarism, but I want to defend our ancestors who died in the war. Akihiko Fukunaga, department of behaviour in organisations, Management School, Lancaster University, Lancaster LA1 4YX

Effect on actuaries' valuations of dividend limits 'broadly neutral'

From Mr Martin Loues.
Sir, Lex ("UK savings", April 25) considers the effect of a reduction in dividend payouts on actuaries' valuations of pension funds.

Actuaries' valuations reflect both the current dividend income and anticipated future increases in that income. If current dividends were lower,

the higher earnings retained by companies would be expected to produce higher earnings in future years, and in turn higher dividend growth. The overall effect on actuaries' valuations of pension funds should be broadly neutral.

So fears that any restriction of dividends might cause an increase in companies' pension

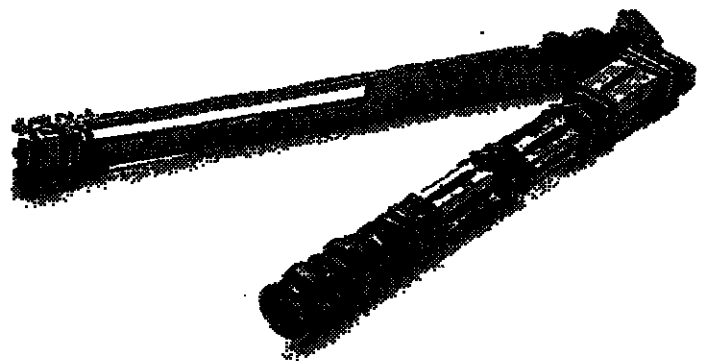
fund contributions and therefore a reduction in the government's tax take should prove groundless.

The effect of the change in the tax treatment of dividends introduced by the Finance Act 1993 was different. The reduction in the income received by pension funds went to the Exchequer. As a result, actu-

aries did indeed place a lower value on the assets of pension funds, in many cases causing an increase in companies' pension fund contributions.

Martin Loues, *Bacon & Woodrow, Parkside House, Ashley Road, Epsom, Surrey KT18 5BS*

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Wednesday May 11 1994

Bank warns on inflation

Mr Major, be warned. The Bank of England's latest quarterly Inflation Report is bad news for you. It predicts that, if interest rates were to remain unchanged, underlying inflation two years hence would be 5.34 per cent. This would mean that the government's inflation target of 1-2½ per cent a year by the end of the current parliament will not be met. The Bank's message is crystal clear: the next move in interest rates will not only be upwards but may have to come quite soon.

The report identifies three main risks. First, rates of monetary growth have continued to increase. Second, expectations of inflation have risen. Finally, the growth of underlying average earnings has picked up.

Narrow money, which grew at an annual rate of 6.2 per cent in April, is still well above its 0.4 per cent monitoring range. But this, says the Bank, may reflect an adjustment of cash balances towards a new equilibrium level, as interest rates have fallen. The growth of the broader measure of the money supply, M4, has increased for three consecutive quarters, to reach an annual rate of 5.9 per cent in March, which is near the centre of its 3-9 per cent monitoring range. Furthermore, the Bank's own weighted measure of the money supply has also begun to pick up.

The clearest evidence of a deterioration in expectations of inflation is in financial markets, where gilt yields have risen by more than two percentage points since the turn of the year. This rise has been a global phenomenon, but it has been far greater in the UK than in most major economies. The gap between yields on indexed and conventional gilts, a good indicator of expected inflation, has also risen by almost 1½ percentage points since January, to 4.7 per cent. Obviously, investors doubt whether the government's inflation target will be met.

Greater uncertainty

The rise in yields may also reflect greater uncertainty about future inflation and real yields. The Bank points, mischievously, to the last cut in interest rates, on February 8, now known to have been imposed, against its advice, by the chancellor of the exchequer. "The substantial rise in

nominal bond yields some days after this cut," notes the report, "suggested revised perceptions of the authorities' commitment to monetary stability."

The pick-up in the growth of underlying average earnings, from 3 per cent in November to 3½ per cent in February, may be early evidence that expectations of inflation have risen among wage bargainers too. This rise is rightly deemed puzzling, since there remains a large excess supply of labour in the UK economy. The number of hours worked in the economy has, after all, fallen significantly since its peak in 1989. The Bank itself estimates the "output gap" - a measure of economy-wide excess capacity - at just under 6 per cent. This ought to give the UK several years of rapid growth before strong inflationary pressures re-emerge. But the evidence of higher pay inflation means that "it will be necessary to monitor labour market developments extremely carefully over the next few months."

Wage levels

The report warns wage bargainers that "monetary policy will not be used to validate inflation outside the target range". If higher inflation is assumed in pay negotiations, "real wage levels will turn out to be too high, with the result that labour demand will be lower and unemployment higher than it need be."

The warning is needed, if policy were expected to accommodate higher levels of wages and prices, that belief could lead to higher wage bargains and settlements. People must have faith in the inflation target and "that belief must be reinforced by adherence to a firm monetary stance".

Unfortunately, the government is responsible for the actions needed to reinforce credibility and, not surprisingly, given the past record of the British government and the current political challenges, its commitment is in serious doubt. This means, in turn, that the real cost of achieving the target is higher than it need be, which further reduces its credibility. Whatever the political difficulties, the chancellor must heed the Bank's warning. Neither he, nor the country, can afford to preside over yet another missed target.

In search of a foreign policy

Bill Clinton never intended to be a foreign policy president. He knew well that his predecessor was ejected from the White House in part because of a perception that he was more interested in international affairs than in sorting out US domestic problems. President Clinton was determined not to make the same mistake.

From his inaugural speech onwards, the focus was on his social and economic agenda at home: references to the wider world were brief, unspecific and emphasised the constraints on American leadership. The foreign policy priority - in presidential rhetoric as much as in top government appointments - was damage limitation: to prevent crises abroad from intruding on his domestic tasks.

Yet as Mr Clinton has discovered repeatedly in the past 18 months, the demands of international affairs will not go away. Time and again, he has found himself distracted by foreign policy brushfires as well as by bigger questions concerning relations with Russia, China and Japan.

To almost every brushfire, his response has appeared brisk and resolute: witness the bursts of interventionism on Bosnia, or the sudden reversals on Haiti. On bigger questions, his policy has often seemed hesitant or riven with internal contradictions: for example, China, where his campaign promise to link renewal of most favoured nation trading status with progress on human rights coexists uneasily with his desire to boost relations with Asia's fastest-growing economic power.

Nervous allies

As a result he stands accused by the foreign policy establishment at home and by nervous allies abroad of failing to take a consistent lead commensurate with the US's role as the world's only superpower. Above all, he is charged with failing to articulate a coherent set of principles or priorities for American engagement with the outside world.

Seen from the Oval Office, a good deal of this criticism must seem unjust. Challenged on the administration's foreign record, Clinton aides tick off successes such as completion of the Uruguay Round and NAFTA; even in

Bosnia, they can claim that the conflict has so far been contained. Moreover, they argue, the US like every other power is still coming to terms with the post-coldwar era - one in which there are no reliable precedents to guide policy, the US faces no strategic threats, and parts of the world are gripped with intractable civil conflicts whose direct relevance to America's national interests can seem hard to define.

Valid charge

Yet the fact that a task is difficult does not mean it should not be attempted. The US's importance, to and involvement in, the wider world means that it, of all countries, cannot afford not to have a coherent foreign policy.

The most valid charge against President Clinton is that he has devoted insufficient energy to developing an intellectual framework within which such a policy could take shape. Instead of setting the agenda, or even entering a full-scale debate on what the agenda should be, he has let the shifting tides of Congressional opinion and lobby group pressure set it for him. Instead of attempting to define the criteria on which the US would be prepared to intervene in foreign trouble spots, he has wavered between stressing the limits on American action and promising actions that he cannot deliver or which will not have the desired effect.

The least incoherent thread of this patchwork is the Clinton administration's attempt to put US economic and commercial concerns at the heart of foreign policy. But even this can seem narrow - as in the obsessive focus on America's bilateral trade deficit with Japan - and tangled, as in China. Neither it nor sporadic activism over peace-keeping, peace-making and the promotion of democracy reflects a clear and internally consistent concept of US international interests.

It is not too late for Mr Clinton to begin articulating such a concept. With one, however limited in scope, he would have a basis for weighing the huge competing demands on America's attention and resources. Without one, the domestic-policy president will continue to be buffeted by foreign policy crises not of his choosing.

Mr Robert Palmer, president and chief executive of Digital Equipment, described the outlook for the computer company in brutally honest terms last week. He told employees that the "entire enterprise could be at risk" if drastic steps were not taken to cut costs.

At least 20,000 jobs had to be axed and segments of the business sold or abandoned if Digital was to return to profitability, he warned. "We must achieve a competitive cost structure as rapidly as possible, and unfortunately we cannot escape the fact that significant additional downsizing at Digital is unavoidable."

Digital has been thrown into crisis by heavier than expected losses for the January-to-March third-quarter period (its 1994 fiscal year ends in June), which revealed serious weaknesses in the company's management and a further decline in profit margins. Losses widened to \$183m, from \$30m in the same period of 1993. Revenues for the quarter declined by 6 per cent to \$3.26bn.

In the wake of the financial report, Digital's share price plummeted 20 per cent to \$23. On Monday it closed at \$21½, and rating agencies have downgraded the company's debt. Wall Street is not alone in its fears for Digital's future. Mr Palmer this week tried to reassure the company's customers that it remains a "viable, long-term partner that you can rely on". However, confidence in his ability to steer Digital back from the brink of disaster has been severely shaken.

Digital is still struggling to adjust to an industry-wide trend toward lower profit margins. Just 18 months ago, when he took over the top job from Digital founder Mr Kenneth Olsen, Mr Palmer hoped to engineer a speedy turnaround at the ailing computer group and restore it to former glory.

In the 1970s and 1980s, Digital was second to International Business Machines in the world computer market. The company "looked as if it could walk on water", says Mr Bob Djurdjevic of Amex Research, a US market research firm, recalling the days when Digital's Vax minicomputers were best-sellers.

But - Digital's earnings began to slump in 1989 as competition from lower-cost, powerful desktop workstations made by companies such as Sun Microsystems and from networks of personal computers by IBM, Compaq and many others running industry-standard software began to eat into its core businesses. Digital was slow to respond to these shifts in technology.

So in October 1992 Mr Palmer took on a company with flat revenues and deepening losses. Digital had already reduced its workforce by 12,000 to 114,000 and taken restructuring charges of \$2.7bn over the prior three years. Still the company had failed to stem deepening operating losses.

Moving quickly to cut expenses and institute tighter management controls, the new chief executive seemed to be making all the right moves. He rationalised the company's structure, forming nine customer-focused and product divisions out of Digital's more than 140 business units.

In sharp contrast to Mr Olsen, who believed strongly in encouraging entrepreneurial spirit within his company, Mr Palmer began shifting Digital towards "a more directive, decisive, top-down management style" to streamline the company.

In important moves that his predecessor had vetoed, Mr Palmer announced workforce cuts, streamlined engineering and manufacturing operations and introduced a

commission-based pay scheme to provide incentives to the salesforce. Mr Palmer also finally put to rest debate over Digital's commitment to "open systems" software which enables different types and brands of computers to work together more efficiently. Although Digital declared itself an "open systems" company in 1990, Mr Olsen continued right up to the time of his retirement - to undermine the efforts of his marketing staff by expressing doubts about the performance of open systems software. In a symbolic break with the past, Mr Palmer announced in April 1993 that Digital would vacate the design of woolen mill in Maynard, Massachusetts, its headquarters since the company was founded in 1957. When Digital recorded a small profit of \$112m in the fourth quarter of fiscal 1993 (March-June) it seemed that the company was on the road to recovery.

With the introduction of its first "Alpha" computers, it set in place the cornerstone of a strategy to restore revenue growth and declining sales of older minicomputers. A super-fast microprocessor, Alpha is the core technology for a broad new range of products.

Employees at Digital's Galway, Ireland, manufacturing facility used to receive free turkeys at Christmas. Today, the Ballybrit hardware plant is closed, the biggest victim of a continuing and seemingly inevitable retrenchment.

In the 1970s and mid-1980s, Digital spread its manufacturing across Europe: minicomputers in Galway and Ayr, Scotland, storage products and peripheral systems at Kaufbeuren in Germany, printers and terminals at Valbonne, France, semi-conductors in South Queensferry, near Edinburgh, Scotland, and network systems at Clonmel in Ireland.

Today, only Ayr and South Queensferry remain big manufacturing sites. The South Queensferry site, where Digital makes the Alpha microprocessor, said to be the world's fastest, is now manufacturing chips under contract to the US company Advanced Micro Devices. There are powerful suggestions that Digital is considering selling the plant to AMD. Mr Vincenzo Damiani, Digital's European president said this week, however, that it was unlikely the semiconductor operations would be sold.

Europe is nevertheless in the firing line. The total workforce is down to about 27,000 from 29,000 last year, and Mr Damiani confirms it is on course to fall to 23,000 by December. About 1,000 redundancies will fall on Digital's bloated direct salesforce.

This total does not include extra job cuts which might be demanded following the latest analysis by Mr Robert Palmer, Digital chief executive, of the imbalance between the company's revenues and the size of its workforce.

The 23,000 figure for Europe, however, was calculated by project teams commissioned by Mr Damiani, as soon as he took up his post at the beginning of the year.

He said yesterday that the balance between performance and resources was monitored continuously: "If revenue growth does not come, we will have to take action accordingly."

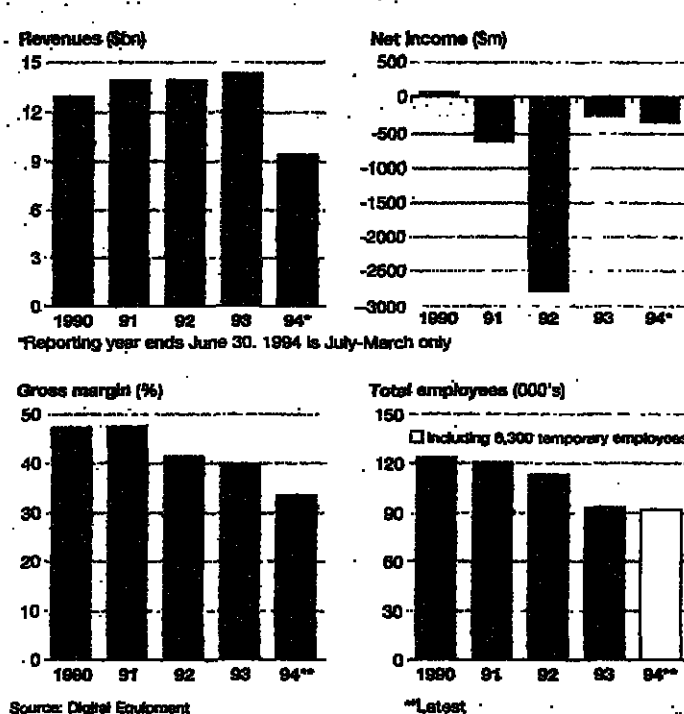
Europe, however, performed no better than the rest of the company last quarter and it is clear that the disappointing results were due to a large extent to poor management information. "We were unable to ship enough workstations and network servers to satisfy demand. Our ability to forecast customer requirements accurately is not adequate. Our internal processes are not yet sufficiently customer-focused," said Mr Damiani.

Having diagnosed the fault lines, it will take time, perhaps up to a year, to bring the monitoring

Survival at stake as losses byte

Louise Kehoe says Digital Equipment's restructuring plan may not be enough to remedy its failures

Digital Equipment: the chips are down



Source: Digital Equipment

*Latest

including 8,000 temporary employees

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Having diagnosed the fault lines, it will take time, perhaps up to a year, to bring the monitoring

systems up to scratch. It will be a nervous period for Mr Damiani and his team. Europe is Digital Equipment's single largest market, generating about half the company's annual sales. The US accounts for less than 40 per cent of annual revenues.

As a result, the company has been disproportionately hit as Europe's economies slid into recession over the past three years. The outlook in the UK is getting brighter, but France and Germany are still black spots. In Germany, Digital admitted recently that it had achieved little more than access to Kienzle's customers when it spent \$122m for a controlling interest in Kienzle, a struggling computer company.

Mr Damiani, who joined the company after 28 years with IBM, has

put in place a strategy he calls "Go to Market", based on a three-tier approach. Digital's 500 main European accounts will be managed directly by account executives. The small and medium-sized companies will be handled by a combination of the direct salesforce and other distributors. A new executive, Mr Barry Moloney, with extensive experience in the components and peripherals business, has been appointed to manage relationships with the large computer dealers and distributors.

Substantial improvements will have to be made in the company's ability to meet its customers' needs by matching supply to demand. One senior Digital executive said: "Our management processes have been focused internally, rather than on customer issues."

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Europe in the firing line

Alan Cane on problems in Digital's biggest market

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OBSERVER



stalwarts like Jacques Delors, Clinton economic adviser Lawrence Summers, and film-maker David Puttnam. And Sir Geoffrey Holland.

Liberal aid

■ Nazmu Virani, the convicted Asian property entrepreneur and former boss of pub-to-property group Control Securities, has been calling in his IOUs from the Liberal party.

Mr Virani, 42, and his successor as Liberal party leader Paddy Ashdown were among those submitting character references for Virani. The Ugandan Asian was a familiar figure on the Liberal

party circuit, although he never joined the party. Sir David's office said Virani was "kind, considerate and helpful".

Just how helpful Sir David has been will emerge when Virani is sentenced today.



FINANCIAL TIMES

Wednesday May 11 1994



Focus on tax and electoral reform and trade issues

Hata lays out his plan for Japan's renewal

By William Dawkins in Tokyo

Mr Tsutomu Hata, Japan's new prime minister, yesterday appealed for opposition support to help his minority government tackle the host of urgent and contentious issues ahead.

In his first policy speech, Mr Hata asked for co-operation in completing political reforms agreed in January, passing a budget for the current year, reforming the tax system, and in defusing trade tensions with the US.

But the two main opposition groups, the Liberal Democratic party and Social Democratic party, were unimpressed.

The Hata speech was "void of substance", according to Mr Kichiro Miyazawa, a former LDP prime minister. Both opposition parties are considering a no-confidence motion soon after the budget is passed next month.

Mr Hata used the speech to apologise to neighbouring countries for the offence created by a former justice minister's denial

of an infamous wartime massacre. "It is regrettable such a situation arose," he said.

"Japan's wartime aggression and colonial rule caused unbearable suffering and sorrow for many people."

Despite the unpromising outlook for his government, Mr Hata promised to continue business as normally as possible. His administration would use "plain language" and would seek "as wide an agreement as possible".

The prime minister laid out a busy agenda, sticking to the policy accord agreed by the coalition before the SDP's walk-out three weeks ago. He planned "as soon as possible" to enact a bill to redraw Japan's electoral boundaries, which represents the final stage of the switch from the current multi-seat constituency system to a mix of single seats and proportional representation.

The aim was to hold the next general election under the new system, likely to be in place by late autumn. This could be opti-

mistic, given the growing pressure among SDP politicians for an early election under the existing system, on the grounds that the party might do better than under the new rules.

It is unclear, however, whether the Liberal Democratic party, the largest opposition group, would similarly benefit. The SDP would need LDP help to vote the government down.

Mr Hata said his administration aimed to produce draft reform plans in June. The main point will be a cut in income tax, seen as essential to stimulate the economy, and a rise in indirect taxes, which would be anathema to the SDP.

On trade, Mr Hata said he would strive to reopen economic framework talks with the US, stalled since February. "It is important to make efforts... to achieve a phased reduction of the current account surplus," he said. These efforts would include deregulation and measures to stimulate domestic demand.

Bank of England warns on inflation

Peter Norman, Economics Editor

The Bank of England warned yesterday that it would increase interest rates if expectations of higher inflation in Britain led to a quickening in the pace of wage and price rises.

In its latest quarterly inflation report, however, it said the most likely outcome, assuming bank base rates stay at 5.25 per cent, would be for underlying inflation to be between 3 and 4 per cent in two years time, within the UK government's target range of 1 to 4 per cent.

The bank believes underlying inflation, which is measured by excluding mortgage interest payments from the retail prices index, will be slightly higher in April, May and June than the 2.4 per cent rate in March.

Inflation fell in the first three months of this year because of a squeeze on retail margins but is set to rise because of local council tax changes and the imposition of value added tax on fuel, which both took effect in April.

Over 1994 as a whole, the bank expects inflation to be slightly lower than projected in its February inflation report. But the bank revised upwards its forecast of inflation next year. It now expects the rate to be flat rather than move gently downwards.

The bank has revised its expectations of inflation because of two factors: February's quarter-point cut in bank base rates and a faster than expected increase in average earnings.

"If these (labour cost) pressures are maintained, this could translate into higher inflation next year," the bank warned.

The bank pinpoints three "small early warning signs":

• Rates of monetary growth have continued to increase. Although this is not a threat to the inflation target at the moment, a continued increase in the months ahead would have "more disturbing" implications.

• Inflation expectations have risen and are no longer coming down into line with the target.

• Average earnings growth accelerated to 3.5 per cent in February from 3 per cent in November and may have been higher in March.

The bank is worried that higher inflation expectations will trigger higher wage settlements. It said pay developments "will need to be monitored closely" and urged a "firm monetary stance" to reinforce the "fragile" credibility of Britain's inflation target.

The bank's report implies that it regards the February cut in base rates as a mistake. "The rise in gilt yields after that announcement suggested that the market was revising its view of the authorities' commitment to monetary stability," it said.

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Barry Riley, Page 17

THE LEX COLUMN

Turning expectations

The clear message from yesterday's inflation report is that the Bank of England has now entered that difficult territory where it must start wondering when and whether to put interest rates up again.

On the one hand, it must prepare the ground; on the other, it cannot want to spook the markets. Hence the report is both peppered with warnings about what might happen and reasons why the most recent news is not yet alarming. Thus M0 money supply is still returning to a new equilibrium. Earnings are growing faster than expected for this stage in the cycle, but there is no logical reason why they should run away with themselves. Bond markets are indicating higher inflation down the road but they may have overshoot.

Yet stubbornly high inflation expectations cannot be that easily brushed away. There must be a reason why gilts have performed worse than other leading bond markets this year: premiums over US and German issues have widened by 60 and 100 basis points respectively. Perhaps the markets have been worried that Mr John Major's weak standing will sap his determination on inflation. The UK certainly does not yet have a strong record to fall back on.

The Bank thus faces a struggle to establish credibility, especially after the botched rate cut in February. As of now, it is difficult to believe money market projections of base rates at 9 per cent within a couple of years, though that might be consistent with sustained pressure on sterling. But if the Bank means what it says about expectations, the turn in rates must have come closer. Any investors still hoping for one last cut are in for a disappointment.

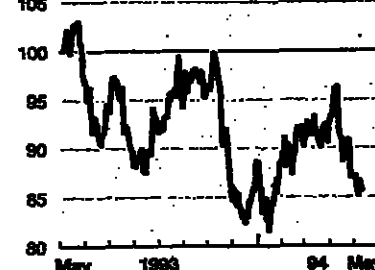
Kwik Save

Kwik Save has done well to improve earnings in a harsh environment. The food discounters suffered a 1 per cent decline in its selling prices in its first half year but managed to contain the decline in trading margins to just 0.1 per cent and increase earnings per share by 7 per cent. But it will be hard to repeat the performance. Price competition is intensifying while the scope to squeeze further costs out of the supply chain is probably declining. The main problem is in groceries, where the pace of price cuts has stepped up. Year-on-year deflation averaged 2 per cent during the half year but has since risen to 3.5 per

FT-SE Index: 3136.3 (+38.5)

Kwik Save

Share price relative to the FT-SE-A Food Retailers Index



Source: FT Graphite

remaining 140 stores to a new trading format. It is too early to say that the format is a runaway success. Even if Do It All can hang on to third place in DIY, shrinking must have its disadvantages. Yet nimbler competitors, such as Sainsbury's Homebase, have shown that brain is more important than brawn. With a new trading format, better distribution and a little help from the housing market, Do It All must stand a fair chance of reaching break-even at a trading level next year.

But Do It All's competitors will not stand still while the restructuring proceeds. New retail space is being added elsewhere in the DIY market. So it is by no means clear that Do It All can carve a niche large enough to allow it to flourish. With something like a credible plan in place, though, Boots and WH Smith can spend a year or two deciding for themselves.

General Accident

General Accident is a prime example of the way in which insurance companies have been de-rated this year. The company's net asset value has fallen by 16 per cent since the turn of the year, while the shares have fallen by 25 per cent. Gloom about the outlook for stock and bond markets - especially in North America, which accounts for half of GA's premium income - are partly to blame. Even if asset markets now calm down, though, worries about competition in insurance markets will not go away.

There is little doubt that the insurance cycle is turning down in UK personal lines. Private motor premiums have already started to fall. Claims will probably become more frequent as the economy turns up. Current returns on household insurance are also unsustainable. With underwriting profits of £28 per £100 of homeowners' premium income in the first quarter, GA must have been making a pre-tax return on capital close to 100 per cent. It is little wonder that direct insurance writers are turning their attention to this line of business.

Still, GA's shares now yield 60 per cent more than the market average. That valuation only makes sense on a bleak view of both asset markets and the underwriting cycle. The plunge in stock and bond markets may thus be a blessing in disguise. Having seen its solvency ratio fall by 10 percentage points to 55 per cent so far this year, GA cannot afford to lower its underwriting standards.

Do It All

Boots and WH Smith have finally accepted that Do It All needs more than a fresh lick of paint. The disappointment is that the structural work outlined yesterday will take so long to complete. Of the 100 stores earmarked for disposal, only 14 have actually been sold. The £60m provision - which will be split equally between the two parents - covers trading losses from unwanted stores for the next two years. That may hint at how long the remaining work will take.

Whether the slimmed-down chain can show a decent return thereafter is difficult to judge. While money is being made available to convert the

North Yemen tightens grip and sacks southern premier

By Eric Watkins in Sanaa

North Yemen's political leaders yesterday stepped up their propaganda offensive in the civil war with the south by denouncing the prime minister, Mr Haydar Abu Bakr al-Attas, and stripping him of all powers.

Mr Attas is the fifth southerner dismissed in a week as northern leaders try to consolidate and legitimise their authority throughout the country.

The military situation remained unclear, with each side broadcasting its own version of events. Heavy fighting is reported around Aden. Northern troops were said to have advanced to within three miles of the southern stronghold on Monday, but reports from Aden said the situation there was normal.

Northern troops appear to have

secured the region around Ladh, about 100 miles to the north-east of Aden, and to have sent reinforcements on the road to Ataq, 350 miles north-east of Aden, in anticipation of further fighting there. Southern troops, reported to have taken heavy losses in last week's fighting, are now regrouping to rebut the expected offensive.

So far, the main oilfields have been spared in the fighting. But observers say that could easily change as the battle unfolds around Aden.

The north's main oilfields, which produce about 180,000 barrels a day, are located at Mareb, 150 miles east of Sanaa, the northern capital. The south's main fields are in the Hadramout valley at Wadi Masila and produce 150,000 b/d.

Oilmen say that between those

fields 300 northern and southern tanks are arrayed against each other. If a battle should take place, it could mean one side taking control of all the country's oil.

The dismissal of Mr Attas followed his appeal last week for outside forces to help end the civil war, now in its second week. The Yemeni parliament, meeting without its southern members, insisted that Mr Attas' actions were illegal and notified embassies in Sanaa that he no longer represented the government.

The Sanaa government, which now describes itself as the only legitimate government in the divided country, has also sacked Mr Saleh Abu Husaynoon, the oil minister, claiming he and other southern leaders diverted some \$375m (£178m) from the state treasury.

Italy cabinet

Continued from Page 1

must be held by someone who sustains the "invisible unity" of Italy - a reference to the choice of Mr Roberto Maroni, number two in the Northern League, which wants a transfer of power to the regions.

The third warning covered the need to retain "social solidarity" and create jobs for the young. It was unclear why President Scalfaro should have placed such emphasis upon this point, though, perhaps, he feared Mr Berlusconi might adopt free market economic policies that might lead to a risk to social stability.

Airbus wins \$1.4bn deal

Continued from Page 1

General Electric of the US and Snecma of France.

Airbus launched its new A319 aircraft at the Paris Air Show last summer. It is a smaller 124-seat version of the 150-seat A320 twin engine airliner. Air Canada said its A319 cabin configuration would offer 112 seats.

Until the Air Canada decision, Airbus had won a total of 18 orders and commitments for the A319 from Swissair, Air Inter, the French domestic carrier, and the Californian-based leasing company ILFC. Air Canada said it intended to place firm orders for

25 A319 worth about \$1bn and take options for an additional 10 aircraft worth another \$400m.

The A319 orders will turn Air Canada into the largest operator of Airbus aircraft in North America. The airline operates 34 A320s and has also ordered 6 A340 long-range, widebody airliners.

Air Canada said Airbus and CFM International had agreed to arrange commitments for the financing.

"The selection of the A319 was based on obtaining attractive acquisition terms for an aircraft," said Mr Hollis Harris, Air Canada's chairman and chief executive.

FT WEATHER GUIDE

Europe today

Thunder showers will develop over western France, northern Portugal and north-west Spain as cool Atlantic air meets warm continental air. The rest of France, Spain and Portugal will stay dry with frequent sunny spells. Western Britain will be mainly overcast with outbreaks of rain, but central and eastern areas will see sunny spells. The Benelux, Alps, Germany and Poland will have abundant sunshine. Central Scandinavia will have limited sunshine owing to an old frontal zone, but sides will be clear over northern and southern areas. The Balkans, northern Italy and western Turkey will have thunder showers but Greece will stay mainly dry.

Five-day forecast

Western Europe will have outbreaks of thunder showers but temperatures will remain above normal. Only south-east Spain will stay dry. The Balkans will continue showery but will improve over the weekend. Italy will be rather sunny, with just an isolated shower on Saturday. Central Europe will have plenty of sun but showers will develop from Sunday. Scandinavia will have cloud and sun with showers over northern regions.

TODAY'S TEMPERATURES

Abu Dhabi	sun	38	Berlin	sun	27	Caracas	fair	29	Edinburgh	fair	14	Madrid	fair	18	Rangoon	showery	33
Algiers	sun	32	Bombay	sun	32	Casablanca	cloudy	20	Faro	sun	19	Manila	sun	24	Raygwick	rain	23
Amsterdam	sun	23	Buenos Aires	sun	24	Chicago	rain	24	Geneva	sun	19	Mexico City	sun	20	Rome	sun	22
Athens	sun	22	Dubai	sun	33	Cologne	sun	25	Glasgow	sun	23	Moscow	sun	23	S. Francisco	sun	22
Bahia	sun	29	Hong Kong	sun	25	Dakar	sun	30	Hamburg	sun	23	Nairobi	sun	23	Singapore	showery	30
Bangkok	sun	31	London	sun	16	Dallas	sun	25	Helsinki	sun	21	San Jose	sun	23	Stockholm	sun	25
Bombay	sun	31	Luxembourg	sun	18	Doha	sun	40	Hong Kong	showery	26	Sao Paulo	sun	23	Strasbourg	sun	18
Buenos Aires	sun	21	Paris	sun	17	Dubai	sun	38	Honolulu	sun	26	Sydney	showery	19	Taipei	sun	22
Calcutta	sun	31	Perth	sun	17	Dublin	sun	14	Jersey	sun	18	Tokyo	showery	22	Tel Aviv	sun	32
Cairo	sun	32	Prague	sun	19	Durban	sun	21	Kuala Lumpur	sun	28	Toronto	showery	13	Tientsin	sun	22
Cape Town	sun	22	Warsaw	sun	17	London	sun	17	Manila	sun	24	Vancouver	rain	19	Yokohama	sun	22
			Vienna	sun	18	Lisbon	sun	17	Mexico City	sun	20	Wellington	sun	18			
			Zurich	sun	14	Madrid	sun	18	Paris	sun	17						

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<p>PSA Peugeot CITROEN Peugeot S.A. FF 3,960,000,000 2.0% Bonds due January 1, 2001 convertible into shares of Peugeot S.A. Joint Lead Manager Banque Lehman Brothers S.A.</p>	<p>Thermo Electron Corporation U.S. \$345,000,000 5% Senior Convertible Debentures due 2001 Joint Lead Manager Lehman Brothers</p>
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INTERNATIONAL COMPANIES AND FINANCE

Mobile phone sales lead profits surge at Ericsson

By Christopher Brown-Humes
in Stockholm

Pre-tax profits at Ericsson, the Swedish telecommunications group, almost doubled in the first quarter, rising to SKr613m (\$105.58m) from SKr282m with booming sales of mobile phone equipment.

But the figures disappointed a market already concerned by the group's loss of a big Saudi Arabian contract to AT&T. The group's B shares fell SKr7 to close at SKr340.

Mr Lars Ramqvist, Ericsson chief executive, said income and sales showed a "clearly positive trend... in a market that is anything but easy."

He said the group was standing by its forecast that earnings for the full year would

exceed last year's SKr3.1bn, in spite of increasingly fierce competition.

Mr Ramqvist said the market was characterised by "lower investments, depressed prices, politicising and financing problems."

In an oblique reference to AT&T's Saudi Arabian success, he said there was "increased political involvement in negotiations for major telecommunications projects."

Group net sales were 24 per cent ahead at SKr76.0bn. The best area was the group's radio communications division, which includes cellular operations, where sales rose 51.6 per cent to SKr7.2bn from SKr4.7bn.

Public telecommunications sales climbed by only 6 per

cent to SKr5.33bn.

Orders were 23 per cent higher at SKr21.5bn. Ericsson's orders have risen for 10 consecutive quarters, with a successful expansion in mobile phone systems. The group won big radio communications orders in China, Germany, the US and Australia.

By contrast, public communications orders were lower. The group said this was because it benefited from big orders in the UK and Thailand in the first quarter of 1993.

Europe is the company's main market, accounting for half of net sales. However, the US is the single largest market, with a 12 per cent share. China is the group's fourth-biggest market, accounting for 8 per cent of sales.

Alitalia faces tough cuts instead of subsidies

By Robert Graham in Rome

A tough restructuring plan to cut mounting losses at Alitalia, the national carrier, will be the first test of the Italian government's resolve to avoid subsidising state companies and prepare them for privatisation.

The plan has yet to be made public but the three-month-old board of Alitalia unveiled its broad aims this week.

These included "a sizeable reduction" in the group's 18,000 personnel, mainly among ground staff; more flexible employment for pilots and cabin crew; better use of the fleet; and "decisive action" on spending.

The outgoing Ciampi government approved plans for paying 800 early retirement pensions as a means of shedding staff. But the new restructuring plan appears to be much more radical than this.

The tone of some members of the Berlusconi government suggests considerable hostility to the instrument of early retirement as a way of balancing the books. If this is translated into action, Alitalia could face a similar confrontation with unions as did Air France.

Unless measures are agreed quickly to cut Alitalia's losses, the company has warned it will have to call a special shareholders' meeting and might have to write down some capital.

During the first quarter of this year losses reached L190bn (\$118.75m) against losses of L345bn for 1993 as a whole.

On Monday, a company statement blamed the figures on a combination of the depressed state of international economies, airline overcapacity, a drop in business travel and fierce fare competition.

Last year Alitalia made L791bn worth of investments of which L580bn went towards five new aircraft and L146bn in equity interests. This also helped push up the company's debt which rose from L694bn to L1.645bn in 1993.

BSN puts new name on the table

Danone wants to expand across the globe, writes John Ridding

What's in a name? For Mr Antoine Riboud, chairman of BSN, France's largest food group, the answer is a great deal.

Yesterday, the 75-year-old founder of the company announced that BSN would change its name to Danone, after its dairy and yoghurt products and the company's most important brand in an industry where brands are all-important. "It is one of the most significant announcements I have made," said Mr Riboud. "I built BSN with my own hands."

The importance of the decision lies partly in a break with the company's past. Formed in 1966 through the fusion of two glass manufacturing companies, Boussois and Souchon-Neuvesset, the group moved rapidly into food. In the past 25 years, it has risen to become the biggest in the sector in France, and the third-largest food group in Europe, with annual sales of FF85.5bn (\$622m).

More significantly, however, the decision to become Danone reflects Mr Riboud's strategy of aggressively expanding in markets beyond Europe. "The three letters that make up our name reflect its past more than its future. These initials are not well-known in the international arena... Danone is the second brand name in Europe after Coca-Cola, and my dream is to make Danone the Coca-Cola of the future," said Mr Riboud. His ambition is to become a worldwide group through expansion in Asia, eastern Europe, Russia, and Africa.

To illustrate these goals, the BSN chairman announced a string of investment and acquisition plans. In Russia, the company is to set up its first

SALES BY AREA

France	46.4%
Rest of Europe	21.5%
Italy	14.7%
Spain	8.8%
Rest of the world	8.6%

FINANCIAL BRIEF (FFrbn)

	1993	1992
Sales	70.1	70.8
Net Income	3.4	3.6
Capital expenditure	3.1	3.5
Market capitalisation at 31 December	63.4	60.6



Antoine Riboud: 'The weakness is our name'

production plant there, called Danone Volga, in which it will hold an 80 per cent stake. In Brazil, it will take a 49 per cent stake in Campineira de Alimentos, the country's second-largest biscuit producer. In Morocco, the French group is to take 2.7 per cent of the capital in ONA, the country's leading food group. In Spain, it will take full control of San Miguel breweries, one of the country's largest brewers, in which it already has a 24 per cent stake.

For Mr Riboud, such international expansion is essential to keep pace with the development of the industry. "Since the beginning of the 1990s, the globalisation of the food industry has accelerated," he says. This is attributed partly to the development of more international tastes by consumers and the growth of tourism. In this context, the emergence of world-wide distribution groups and television advertising have enabled the development of global brands.

BSN, says Mr Riboud, has been left behind in the battle for name recognition. "A recent survey showed our

name was recognised by 93 per cent of people in France, but just 7 per cent in Italy and 5 per cent in Spain," he said. In Malaysia, BSN is the name of a bank; in the US, the name of a textiles company; and in Japan, the name of a television network. "We have a weakness," he admitted. "The weakness is our name."

Hence the decision to change to Danone, a brand which accounts for one-quarter of the group's sales and is present in 30 countries. "It is an interesting move, which is in line with the decision of other companies, such as Heinz, to focus on a corporate name," said Mr Sylvain Massot, European food and drink analyst at Morgan Stanley.

However, if changing a name is relatively easy and cheap, becoming a global brand is expensive and a great deal more complex. Mr Riboud admits to hiccups on the trail of international growth, citing the group's battle with its partner in India for control of Britannia, the Indian foods group, which was finally resolved last year.

Industry observers point to the strain on management

resources with BSN's programme of rapid expansion. "The problem they face is that, as a relatively young company, they need to grow quickly to catch up with the Nestlé and Unilevers of the world," says one industry analyst in Paris. "But this clearly costs money and is open to risk."

Mr Georges Locallier, BSN vice-chairman, counters that expanding through the development of existing brands such as Danone limits the risk. And by establishing joint ventures and partnerships, existing groups supply first-hand knowledge on the local markets.

On the financial front, Mr Christian Laubie, finance director, points to the health of the balance sheet, reinforced last year by a FF3.5bn convertible bond issue. He says that cashflow, which reached FF3.6bn after industrial investments last year, provides adequate scope for expansion through acquisition. Total net debt fell from FF10.3bn at the end of 1992 to FF8.6bn at the end of last year, giving a debt-to-equity ratio of 22 per cent.

According to BSN, yesterday's deal will be easily absorbed. The FF1.9bn to be spent on securing San Miguel, the biggest of yesterday's deals, is to be spread over a four-year period. "The investment in Russia is described by Mr Riboud as 'light', with annual production of between 2,000 and 3,000 tonnes. "We can build on it later," he says.

Given his ambitions, this is highly likely. "We want to become a French aircraft carrier," he said yesterday, referring to his expansion plans. Investors will hope that he can steer clear of the reefs.

Pharmacia rises to SKr1.3bn

By Christopher Brown-Humes

Pharmacia, the Swedish drugs group being privatised next month, yesterday announced a big jump in first-quarter profits, after benefiting from higher sales and cost-cutting. Profits after financial items amounted to SKr1.33bn (\$172m), compared with SKr496m in the same 1993 period.

The result was better than expected, and the A shares rose SKr3 to SKr130. Analysts said the figures should assist the privatisation process, with the government planning to sell a 47.4 per cent voting stake in the group. The disposal is expected to raise around

SKr10bn in Sweden's biggest privatisation.

Group turnover rose 3 per cent, to SKr6.78bn. However, on an underlying basis the increase was 6 per cent. Operating costs fell 2 per cent to SKr5.12bn from SKr5.22bn.

The group benefited from one-off gains of SKr183m, compared with costs of SKr308m a year ago. This helped lift operating profit to SKr1.38bn from SKr577m. Excluding one-off items, operating profits were 35 per cent higher at SKr1.19bn.

Financial costs, linked mainly to the financing of the group's acquisition of the Italian drugs group Farmitalia Carlo Erba (Fice), dragged the

overall figures down. Net financial expense amounted to SKr49m, compared with financial income of SKr170m in the first quarter of 1993.

The results contained some disappointments. Sales of the growth hormone Genotropin fell 4 per cent to SKr654m from SKr689m, as good sales in the UK, German and Italian markets were offset by weakness in Spain and Australia.

Healon, a substance used in eye surgery, saw sales drop 6 per cent to SKr369m from SKr393m. There were lower sales in the US, Spanish and Nordic markets. By contrast, anti-cancer drugs Farmorubicin and Adriamycin lifted sales by 18 per cent.

Havas expects return to growth

By Alice Rawsthorn in Paris

Havas, the French media and leisure group recently embroiled in the battle for control of the Canal-Plus television company, hopes this year to return to profits growth after sustaining a fall during 1993, according to Mr Pierre Dautzier, chairman.

The group, in the throes of reshuffling its shareholder structure, was affected last

year by the economic recession and net profits fell 14 per cent to FF7708m (\$121.44m) from FF832m in the previous year.

However, Mr Dautzier told analysts' meeting in Paris that Havas expects this year to be able to maintain stable profits on a strictly comparable basis and to achieve an increase in total profits through disposals and the benefits of strategic agreements.

He said the group might be

able to achieve a higher increase in profits during 1994 if its markets improved.

Havas is reshuffling its shareholding. Groupe Bruxelles Lambert, its partner in CLT, the Luxembourg-based broadcasting group, recently acquired a 3.59 per cent stake.

Mr Dautzier also signalled that Générale des Eaux, the French utilities group, might increase its recently acquired 2.5 per cent stake in Havas.

Non-life side helps boost Zurich Insurance

By Ian Rodger

Zurich Insurance, one of the world's largest insurance groups, has reported a 24.8 per cent jump in 1993 net income, to SFr613.2m (\$434.9m). It attributed the advance to an improved result in non-life business and to

buoyant investment income. The directors have proposed a 14 per cent rise in dividends, to SFr20 per share.

Gross premium revenue was up 16 per cent to SFr24.9bn, with about half of the rise coming from acquisitions and the widening of the consolidation. Among the group's more

important additions last year was the business of Municipal Mutual Insurance in the UK, and the purchase of the remaining minority interests in Bermuda-based Centre Reinsurance.

Zurich said its expense ratio declined in both life and non-life sectors. There was a "sub-

stantial increase" in investment income, and total investments stood at SFr78.6bn at the end of 1993, 18.9 per cent higher than a year earlier.

Shareholders' equity at year-end, prior to the dividend payment, was SFr10.2bn, SFr1.5bn higher than at the end of 1992.

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P.T. MAKINDO

March 1994

INTERNATIONAL COMPANIES AND FINANCE

Veba ahead 18.5% in first term

By David Waller
in Frankfurt

Veba, the German energy conglomerate, has reported a sharp rise in first-quarter profits and predicted profits for all 1994 would be "markedly better" than last year.

The Düsseldorf-based group, which has around 1,000 subsidiaries in areas such as power generation, oil, chemicals, trading and services, said pre-tax profits in the first three months of the year rose 18.5 per cent to DM608m (\$367m).

Much of the increase was due to an extensive group-wide rationalisation programme set in motion last year. The plan is to cut the 131,000 workforce by 10,000 over 1993-94 in measures

which are designed to save DM1.2bn costs a year.

Veba said the rationalisation programme would be the chief factor behind the expected marked improvement in this year's profits.

As Veba announced in March, group net profits for 1993 fell 9 per cent to DM825m on turnover up by 1.4 per cent to DM66.3bn.

In the first three months of the year turnover climbed to DM17.5bn, an increase of 8 per cent, which reflects the impact of acquisitions in the eastern German power sector.

A 28 per cent increase in turnover from energy, to DM4.36bn, offset stagnant or falling sales in the other main business areas, although Veba

made clear that, excluding acquisitions, turnover in energy was flat.

The group gave no detailed profits breakdown at the three months stage, but it said it had substantially reduced losses in its chemicals division, the focus of intensive rationalisation. Losses in petrochemicals were also reduced and there was an increase in profits in services, trading and transport.

DeGussa, the Frankfurt-based specialty chemicals and precious metals group which recently completed an extensive rationalisation programme, reported a 58 per cent increase in pre-tax profits in the six months to March.

The increase in pre-tax profits to DM21m followed a 25

per cent gain in the first quarter.

DeGussa said its performance in the first half was better than anticipated, with all business areas improving their results. It singled out the chemicals division as a beneficiary of rationalisation measures and increased sales.

The company predicted that earnings in the second half of the year would improve, but warned that the rate of growth would not be as high as in the first half.

Group profits for the year to the end of last September dropped 14 per cent to DM172m on sales up 16 per cent to DM15bn. Sales in the first half of the current year rose 2 per cent to DM7.2 per cent.

Aérospatiale pins hopes on Europe

French aerospace group is seeking new alliances, reports Paul Betts

Aérospatiale, the French state-controlled aerospace group, is stepping up its efforts to forge European alliances in both its defence and commercial activities as part of its strategy to return to profit.

After reducing net losses to FF1.43bn (\$250m) last year from FF2.38bn in 1992, Mr Louis Gallois, Aérospatiale's chairman, said the group was on target to break-even this year.

Like the rest of the aerospace industry, the French group has been hit by the prolonged slump in the civil aircraft sector and the decline in the defence market.

However, Aérospatiale is more vulnerable than other European aerospace groups to the problems of the civil rather than the defence side of the business, because it relies on civil aerospace for about 70 per cent of its FF150bn annual consolidated turnover.

"After Boeing of the US, we are probably the most civil aerospace company in the world, but we don't have the same substantial 60 per cent market share of the civil market as Boeing," Mr Gallois explained. He added that he did not expect any sustained recovery in the civil aircraft sector before 1996 or 1997.

To consolidate his company's financial recovery, Mr Gallois said a priority was to reduce the production break-even point of the group's principal civil aerospace products. Aérospatiale holds a 37.9 per cent stake in the European Airbus consortium and a 50 per cent stake in the Franco-Italian ATR regional turbo-propeller aircraft group.

The big Airbus investments made over the last 10 years to compete against Boeing and McDonnell Douglas of the US were based on an average French franc-US dollar exchange rate of FF5.50 and



Louis Gallois: 'we simply must adjust the European industry'

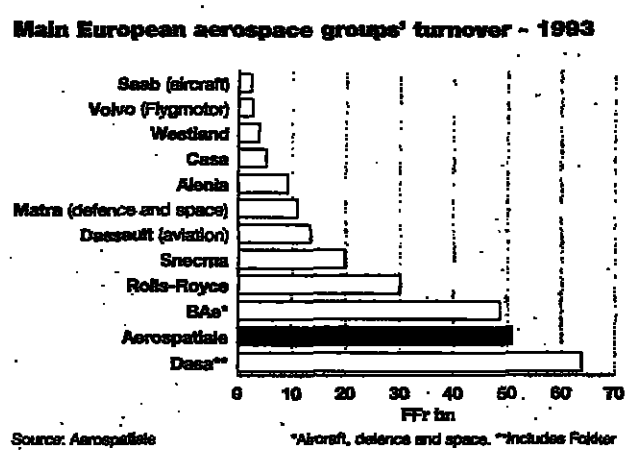
Airbus annual aircraft deliveries of around 200 airliners a year. In the regional turbo-prop market, the annual production break-even point for ATR aircraft was estimated at around 60 aircraft, explained Mr Yves Michot, Aérospatiale's managing director.

The problem for Aérospatiale is that Airbus production has now dropped to around 130 aircraft a year while ATR production is down to 42 aircraft.

"We simply must adjust the European industry to manufacture profitably Airbus aircraft at a rate of around 130 aircraft a year," Mr Gallois stressed. At the same time, Airbus is facing increasing competition from Boeing, which is seeking to reduce its production costs by 25 per cent.

"We have also reduced our production cycle times for narrow-body airliners to around nine months, but the problem is that Boeing wants to bring them down to six months," said Mr Claude Terrazoni, head of Aérospatiale's civil aircraft division.

"In the wide-body sector, Boeing cycle times are down to 10.5 months while Airbus is around 12.5 months, but we plan to come down to 10.5 months as well," he added.



Both Mr Gallois and Mr Terrazoni also stressed Airbus's intention to challenge Boeing's monopoly of the jumbo airliner market.

"We simply can't afford not to be part of that market," Mr Terrazoni said, explaining that aircraft of 400 seats or more will account for an increasing share of the market during the next 20 years.

In the turbo-prop sector, it is vital to rationalise the European industry suffering from over-capacity and competing products. "You now need to produce about 70 to 80 aircraft a year to break even in this sector: there's therefore no other way out but to regroup the industry in Europe," Mr Gallois said.

Aérospatiale is continuing discussions with British Aerospace in an effort to merge Bae's Jetstream turbo-prop activities based in Prestwick, Scotland, with those of ATR. Aérospatiale has proposed to combine the two groups around a new project, the development of a larger 82-seat turbo-propeller aircraft, the ATR 82.

"There are still doubts on whether there is a niche in the market for an 82-seat turbo-prop competing against smaller regional jets, but Aérospatiale believes if ATR and Bae can combine forces in this sector, other European manufacturers will join.

Aérospatiale also hopes to complete by the end of this year its long negotiations to merge its guided weapons and satellite activities with those of Deutsche Aerospace in separate joint ventures. (Aérospatiale already has a joint helicopter venture with Deutsche Aerospace, called Eurocopter.) These joint ventures could lead to wider European alliances in both missiles and satellites.

Downturn in earnings at Uni Storebrand

By Karen Fossil in Oslo

The group also announced plans for a one-for-one rights issue for restricted and free shareholders, priced at Nkr12.25 a share to raise Nkr307.4m during a subscription period from May 25 to June 7.

Uni said Mr Aage Korsvold, vice-chairman of the board, is to replace Mr Vold from July 1. Mr Korsvold also holds a key position within the group's strategic operations.

The company said Mr Vold had successfully led Uni's restructuring following the group's release from a board appointed by the government.

This followed Uni's collapse after a failed raid launched two years ago on Skandia Forsikring, Sweden's biggest insurer.

The group's results for 1993 were good and the company is well on its way with a strategic process for a further positioning in the market," Uni said.

Mr Jon Gundersen, board chairman, said he was looking forward to the fresh approach that Mr Korsvold would bring in addressing the challenges facing Uni, including the growing domestic savings market which has been chosen as a central area for group expansion.

Mr Vold had been asked to remain with Uni and his position would be clarified shortly, the company said.

Uni reported a decline in first-quarter operating profit, before policyholders' allocations, to Nkr588m (\$18m) from Nkr1,030m. It blamed higher interest rates which produced lower financial income.

Group net operating income rose to Nkr7,070m from Nkr6,380m as operating costs increased to Nkr5,560m from Nkr4,520m. Pre-tax profit, after allocations to policyholders, fell to Nkr84m from Nkr150m.

RUSSIAN - BELGIAN BANK IS LOOKING FOR A PARTNER

The "Unibest" Commercial Bank was registered in March 1992 as a commercial bank. PLC. Its authorised fund amounts to 5 billion rubles. All the bank's activities are insured by one of the "Unibest" Bank shareholders - "Stinvest" State Insurance Company.

THE "UNIBEST" BANK CARRIES OUT THE FOLLOWING OPERATIONS:

- Merger operations.
- Short term speculations including all of Russia's financial instruments.
- Mortgaging projects in Moscow and St Petersburg.
- Diversification of capital in currency deposits and securities (Portfolio).
- Organisation of financial and investment projects, according to foreign investor's preference.
- Operations with state liabilities of the internal currency loan.

With a view to strengthening mutually beneficial business contacts with the reliable financial partner the "Unibest" Bank is ready to let him have up to 20% of the presently selling stock issue for 5 billion rubles of authorised capital.

If you need any reference please contact Mr Emmanuel Van Tillo ("Sparkredit" Bank, Antwerp, Belgium, Tel: 03/223-02-70, Fax: 03/226-36-82).

Unibest Bank
5, Novo-Zykovskiy prospekt, Moscow, 125167 Russian Federation
Fax: (095) 956-15-47, Tel: (095) 956-15-50, Telex: 911088 unibest su

INVESTISSEMENTS ATLANTIQUES SICAV

Société d'investissement à capital variable
Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg Section B 6722

Notice of the Annual General Meeting of Shareholders

The annual general meeting of Shareholders of INVESTISSEMENTS ATLANTIQUES SICAV will be held at its registered office in Luxembourg, 14, rue Aldringen, on May 20, 1994 at 2 p.m. for the purpose of considering and voting upon the following matters:

- 1) To hear and accept the management report of the Directors
- 2) To approve the statement of assets and liabilities and the statement of operations for the year ended 31st December, 1993.
- 3) Allocation of profit.
- 4) To discharge the Directors with respect to the performance of their duties during the year ended 31st December, 1993.
- 5) To elect the Directors to serve until the next Annual General Meeting of Shareholders.
- 6) To elect the Auditor to serve until the next Annual General Meeting of Shareholders.
- 7) Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting. In order to take part at the statutory meeting of May 20, 1994 the owners of bearer shares will have to deposit their shares two clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank: Banque Generale du Luxembourg S.A., 14, rue Aldringen, Luxembourg.

The Board of Directors

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ADDITIONAL INTEREST STATEMENT
THE WALT DISNEY COMPANYU.S. \$400,000,000
SENIOR PARTICIPATING NOTES DUE 1999

- ☒ Quarterly Statement Dated: May 11, 1994 for the period from January 1 to March 31, 1994 (the "Period")
- ☐ Semiannual Statement for the period from February 28, 1993, to August 31, 1993 (the "Period")
- ☐ Annual Statement for the period from September 1, 1993, to August 31, 1993 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

- This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10038; Attention: Corporate Trust Department; telephone: (212) 412-8214. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "S" are to United States dollars.
1. Names of Eligible Films included in the Portfolio:
 - a. For the Period:
 - Cabin Boy
 - Iron Will
 - The Conquest Club
 - The Adventures of Huck Finn
 - Indian Summer
 - Gully As Sin
 - Life With Mikey
 - What's Love Got To Do With It
 - Son-in-Law
 - Focus Focus
 - Another Stakeout
 - My Boyfriend's Back
 - Father Hood
 - The Joy Luck Club
 - Money For Nothing
 - Cool Runnings
 - The Three Musketeers
 - Slater Act 2: Back in the Habit
 - Cabin Boy
 - Iron Will
 - b. From the Issue Date through and of Period:
 - A Muppet Christmas Carol
 - The Conquest Club
 - The Adventures of Huck Finn
 - Indian Summer
 - Gully As Sin
 - Life With Mikey
 - What's Love Got To Do With It
 - Son-in-Law
 - Focus Focus
 - Another Stakeout
 - My Boyfriend's Back
 - Father Hood
 - The Joy Luck Club
 - Money For Nothing
 - Cool Runnings
 - The Three Musketeers
 - Slater Act 2: Back in the Habit
 - Cabin Boy
 - Iron Will

2. Names of short subjects to which any portion of Total Revenues has been allocated:
 - a. For the Period: N/A
 - b. From the Issue Date through and of Period: N/A
3. Names of the Eligible Films together with which the above short subjects were released:
 - a. For the Period: N/A
 - b. From the Issue Date through and of Period: N/A

Form of Statement after inclusion of two Eligible Films in the Portfolio:

	For the Period:	From the Issue Date through and of Period:
4. Aggregate Negative Costs of Eligible Films in the Portfolio	\$35,440,000	\$440,338,000
5. The Portfolio Amount	\$22,777,000	\$400,000,000
6. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio	\$58,009,338	\$180,898,914
7. Calculation of Contingent Interest:		
Total Revenues	\$186,113,969	\$335,952,113
Distribution Fees	(\$32,569,945)	(\$58,791,620)
Estimated Third Party Participation Payments*	(\$6,305,869)	(\$16,787,606)
Residuals	(\$150,027)	(\$292,062)
Short Subject Revenues	\$0	\$0
Eligible Film Revenues	\$144,088,298	\$226,070,825
Base Amount	\$0	(\$800,000,000)
Eligible Film Revenues in Excess of Base Amount	\$0	\$0
Contingent Interest	\$0	\$0
8. Contingent Interest paid per \$1,000 principal of Notes	\$0	\$0
9. Domestic Theatrical Rentals of Eligible Films in the Portfolio are adjusted on a pro rata basis in the same manner as Eligible Film Revenues are prorated pursuant to the Notes.		
* Actual Third Party Participation Payments are used with respect to the Final Interest Payment.		
9. Supplemental Interest	\$0	\$0
10. Supplemental Interest paid per \$1,000 principal amount of Notes	\$0	\$0
11. Provisional Interest	\$0	\$0
12. Provisional Interest paid per \$1,000 principal amount of Notes	\$0	\$0

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

- ☒ No Default
- ☐ Yes; Description:

The Walt Disney Company

By /s/ Steven J. Schuch
Vice President - Assistant Treasurer

This Survey will be an overview of Norway, providing a comprehensive analysis of the economic and political situation, together with in-depth comment on key areas such as Norway's EU Membership, Oil & Gas, Banking, Manufacturing and Shipping.

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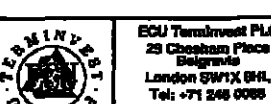
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The Financial Times plans to publish a Survey on International Taxation on Friday, May 20.

The survey will review the taxation system worldwide and examine the challenges it will face in 1994 and the implications for the international business community. The survey will reach an estimated international readership of 1 million.

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Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period 10th May, 1994 to 10th August, 1994 the Notes will carry a Rate of Interest of 5.0125% per annum. The interest amounts payable will be U.S. \$128.10 per U.S. \$100,000 Note and U.S. \$1,280.97 per U.S. \$100,000 Note. The Interest Payment Date will be 10th August, 1994.

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Brussels Trade Register 246108

Notice is hereby given that the Ordinary General Meeting of Shareholders will be held on Tuesday, 31 May 1994 at 5 pm at the head office, where the following agenda will be considered:

1. Report of the Directors and Reports of the Auditors for the financial year 1993.
2. Annual accounts as at 31 December 1993.
3. Discharge of the Directors.
4. Discharge of the Auditors.
5. Appointments.
6. Stoney items.

Shareholders who wish to attend this Meeting must, according to article 25 of the articles of association, deposit their shares no later than on Friday, 27th May 1994.

In Belgium:

Head Office
Banque Bruxelles Lambert
Banque Paribas Belgique
Crédit de Belgique
Kredietbank
Caisse Privée Banque
Banque Ippa

In France:

Banque Bruxelles Lambert France
Banque Paribas
Banque Internationale à Luxembourg
Banque Paribas (Luxembourg)
Crédit Européen

In the Grand Duchy of Luxembourg:

Banque Internationale à Luxembourg
Banque Paribas (Luxembourg)
Crédit Européen

In The Netherlands:

ABN-AMRO Bank
Banque Bruxelles Lambert (Suissel)

Shareholders are allowed to be represented at the Meeting according to the conditions determined by article 26 of the articles of association. To this end, they must deposit a proxy no later than on 27th May 1994.

The Board of Directors



BankWest

Bank of Western Australia Ltd. AON 050 484 454

Notice to Note Holders CHANGE OF NAME

On 30th March 1994, the Parliament of Western Australia passed the RBL Bank Amendment Act 1994 ("Amendment Act").

The Amendment Act provides, inter alia, for the change of the name of the Bank from "RBL Bank of Western Australia Ltd" to "Bank of Western Australia Ltd".

It is, however, not necessary to amend documents in which the former name of the Bank appears as the Amendment Act also provides that a reference in any document of any kind to the former name of the Bank is to be construed as if it has been amended to be, or to include, a reference to the new name of the Bank, except where the context requires otherwise.

The Amendment Act confirms that the current statutory guarantee of the Treasurer of the State of Western Australia will continue to apply without modification to all financial obligations existing and entered into prior to a day to be fixed by proclamation ("Effective Date") until maturity of each facility. To date the Effective Date has not been proclaimed.

Accordingly, the payment of amounts due and payable in respect of Notes issued by the Bank prior to the Effective Date continues to be guaranteed by the Treasurer of the State of Western Australia on behalf of the State of Western Australia.

The statutory guarantee will not apply to new financial obligations entered into by the Bank after the Effective Date. Dated this 26th day of April 1994.

INTERNATIONAL COMPANIES AND FINANCE

Drugs industry seeks prescription for growth

Battle between manufacturers and distributors is hotting up, writes Richard Waters

The bomb detonated under the US drugs industry last year by Merck's \$6.7bn takeover of Medco, a drug distributor, has been reverberating loudly in recent weeks.

In a rapid series of takeovers and alliances, some of the biggest distributors in the US have aligned themselves with pharmaceutical manufacturers. And with a shrinking number of distributors not yet spoken for, the scramble for market position is getting intense.

"We clearly want to keep our lines of distribution open as much as possible," says Mr Edward Bessey, president of Pfizer's US pharmaceuticals business. Pfizer, which has had one of the best records among manufacturers for launching big-selling new drugs, has been quick to make its own arrangements, forming links with two distributors in recent weeks.

The panic prompted in drug company boardrooms by the Merck/Medco deal is understandable. Medco is one of a new breed of distributors, known as Pharmacy Benefit Managers (PBMs), which has come to prominence in recent years. These companies have a strong grip on drugs sales in the US: access to their distribution channels has become vital.

Medco, for instance, claims to account for 38m people (known in the trade as "lives") under assorted managed care arrangements. Diversified Pharmaceutical Services - which, under a deal announced last week, is being bought by SmithKline Beecham - claims 44m lives. PCS (a subsidiary of McKesson) 45m and Caremark, another independent, 28m. Even allowing for some inflated claims and a degree of

Glaxo of the UK is understood still to be in talks on alliances with US healthcare companies including the drugs distributor McKesson, writes Daniel Green. Talks have been under way for several months as the company searches for a corporate response to changes in the US healthcare system.

The slow progress of the talks reflects Glaxo's unwillingness to buy a US company. It does not want to follow US rival Merck and Anglo-US company SmithKline Beecham which have spent \$6bn and \$2.3bn respectively on distribution companies.

Instead it wants to sign alliances such as that agreed last week between US company Pfizer with Value Health, a distributor, in a \$100m joint venture. McKesson remains one of the largest potential partners yet to sign such a deal.

Sir Richard Sykes (right), chief executive, has said that deals with intermediaries and even other pharmaceutical companies were under consideration.



overlap, it is a fair bet that more than half of all Americans buy drugs through these companies.

The distributors have won their position by discounting heavily. They fill out prescriptions for people covered under company health plans and other bulk programmes.

The main weapon in the distributors' armoury, though - and the one that frightens some manufacturers - is their formularies. These are lists of recommended drugs they maintain, and which doctors are steered towards when prescribing. A doctor prescribing a drug not on the formulary is likely to get a call suggesting they switch to another (usually cheaper) drug that is. Caremark claims that it manages to persuade three out of every five doctors to change their prescriptions in these circumstances.

McKesson claims some 20m lives are covered by its formulary, while Medco claims 18m, Caremark 12.5m, Diversified

11m and Value Health, another of the distributors, 5m. These numbers are likely to grow fast: the distributors have all made it a priority to convert their customers to the formulary approach, and are using aggressive pricing as an inducement.

The result has been a scramble. Merck and SmithKline Beecham have already bought two of the biggest PBMs (the latter still needs approval). Two other distributors, Caremark and Value Health, have made clear their intention to remain independent of any one drug company. A month ago, Caremark signed agreements to put the products of three manufacturers on its formulary - Pfizer, Rhône-Poulenc Rorer and (it is widely believed) Bristol-Myers Squibb. Value Health last week agreed a similar deal with Pfizer.

Other, smaller companies could also become takeover candidates. For instance, Express Scripts, a small PBM

based in Missouri, has seen its market value leap from \$175m to \$450m in recent months. McKesson, though, stands out as the only big company that has yet to show its hand.

Control of distribution may be the main force behind the realignment, but there is also a second motivating factor: access to information.

The manufacturers' thinking goes like this. Under pressure to hold down prices, both from bulk buyers of their products and politicians in Washington, they need new data both to support their marketing and develop new markets. Information on how their drugs are being used, and the effectiveness of the treatments, is vital. It would enable the manufacturers to make a better case for the effectiveness of their products, and at the same time would enable them to develop closer ties with the users of their drugs.

It would also enable them to sell drugs to big buyers under capitation arrangements -

agreements to provide all of a patients' drugs over a set period for a pre-determined fee.

Some of the information that the manufacturers needs sits in the databases of the PBMs. More of it, though, resides with the Health Management Organisations (HMOs) and other managed care groups who provide overall healthcare cover to many Americans. Notably, SmithKline's deal with United Healthcare - the company from which it is buying Diversified - will give it access to United's database. Pfizer will likewise have access to information about Value Health's patients.

"Disease management" - an overall approach to treating illness that goes beyond just selling drugs - has become the fashionable industry jargon for this approach. Explaining the Value Health deal, Mr Bessey at Pfizer says: "We saw the capability and the data that will allow us to move very quickly into disease management - from diagnosis to cure."

Ultimately, that approach could help the stronger manufacturers both to take market share off weaker rivals, and at the same time grow their overall market by giving pharmaceuticals a more significant role in overall courses of treatment than they currently enjoy (only 7 per cent of US healthcare spending is on drugs, for instance, compared with more than 60 per cent on hospitals).

Over the long term, the drug companies hope, this approach could sustain the sort of growth which has been lacking in the industry in recent years.

Air Canada chief sees break-even this year

By Robert Gibbons in Montreal

Air Canada, which yesterday placed orders for 35 Airbus A319 112-seat short-haul aircraft, reduced losses in the first quarter and is on target to at least break even for 1994, said Mr Hollis Harris, chairman.

The March quarter, normally the slowest, showed a loss of C\$32m (US\$33.1m), or 27 cents a share, against a loss of C\$38m, or C\$3.96, a year earlier, including restructuring charges. The operating loss was C\$12m against a C\$14m loss.

Mr Harris said operating results had exceeded expectations and Air Canada's turnaround was continuing with the benefits of cost reduction, rising efficiency and steps to build new North American and overseas markets.

Passenger traffic rose 9 per cent, helping to push revenues to C\$902m for the quarter, up 12.5 per cent. Yield per revenue passenger mile gained 1 per cent due to reduced fare discounting.

LOT, American Airlines sign partnership

By Paul Setts, Aerospace Correspondent

LOT Polish Airlines yesterday signed a commercial partnership agreement with American Airlines, the second largest US carrier, to give it greater access to the US market. The deal is expected to lead to a long term strategic alliance, LOT said.

The partnership will involve ticket code sharing, co-ordination of timetables, baggage handling co-operation, and the use for LOT of American's aircraft purchase and leasing opportunities.

The Polish airline, which has been battling with British Airways for North Atlantic traffic from Poland to the US, has been seeking a western partner to help it modernise and become more competitive.

Parent to boost capital of CS First Boston by \$400m

By Ian Rodger in Zurich

CS Holding, the Swiss financial group, confirmed yesterday its plans to provide its US-based investment banking subsidiary, CS First Boston, with a capital infusion of about \$400m.

The move is being made in an effort to boost CS First Boston's earning power.

Mr Gerhard Beindorf, a spokesman for CS Holding, said yesterday that work on an equity capital increase for CS First Boston of about \$400m was at an advanced stage.

It will be the second large infusion of capital at CS First Boston in four years. In 1990, its parent provided \$300m in equity capital as part of an \$800m recapitalisation plan aimed at restoring confidence

in the bank, which was struggling at the time under the weight of troubled loans.

When this latest infusion is completed, probably at some point in this quarter, CS First Boston will have capital of \$1.7bn. This is still relatively small by the standards of its biggest Wall Street rivals such as Salomon Brothers (\$5.3bn in capital), Goldman Sachs (\$5bn) and Morgan Stanley (\$4.5bn).

Equity capital is crucial for investment banks. The larger their capital base, the more they can use their own money in the financial markets for proprietary trading and underwriting activities, and the more likely they are to earn a high credit rating which allows them to conduct derivatives business with clients.

In recent years, a large share

of investment banks' profits have come from capital-intensive businesses such as proprietary derivatives trading.

The decision to provide the capital infusion comes a month after CS Holding increased its stake in CS First Boston from 68.5 per cent to 75.7 per cent by purchasing the stakes of five foreign institutional shareholders.



Swedbank

has increased its capital base by over SEK 8 billion. The Savings Bank Foundations, the major shareholders, have also sold shares valued at SEK 1.6 billion:

Spintab

SEK 1,900 billion perpetual debt in August 1993

Swedbank

SEK 2,350 billion perpetual debt in October and November 1993

Robur

SEK 1,900 billion sale of 90% of Robur in January 1994

Swedbank

SEK 2,200 billion share issue in March 1994

Swedbank

SEK 1,600 billion sale of shares in March 1994

J.P. Morgan and Alfred Berg acted as financial advisers and were responsible for the new share issue and the sale of Swedbank shares for the Savings Bank Foundations.

JPMorgan

Alfred Berg



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Qantas sell expected in financial year

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INTERNATIONAL COMPANIES AND FINANCE

Qantas sell-off expected in next financial year

By Nikk Tait in Sydney

Qantas, the state-owned Australian airline in which British Airways holds a 25 per cent stake, will be privatised in 1994-95.

In its annual budget statement yesterday, Australia's federal government announced a number of asset sale proposals which are expected to take place in the next financial year. The sale of the government's remaining 75 per cent interest in Qantas is the biggest single item.

The shares are likely to be sold through a stock market flotation. "Current planning is proceeding on the basis that a float will be undertaken within 1994-95," the budget stated.

The sale of the government's remaining interest in Qantas has already been much delayed - largely because of the internal turmoil within Qantas as it tries to meld its international operations with the business of Australian Airlines, the domestic carrier acquired in 1992.

Although privatisation had been seen as likely in the 1994-95 financial year, both Mr Gary Pemberton, Qantas' chairman, and Sir Colin Marshall, his counterpart at BA, have suggested that they



Sir Colin Marshall: BA chief would prefer later Qantas sale

would prefer this to be undertaken later, rather than sooner. In March, when Qantas announced interim figures, Mr Pemberton referred to Qantas' A\$400m-plus (US\$288m) profits target as "the right return on shareholder funds", although he added that this was not "quite meant as a precondition to privatisation".

In the first half of 1993-94, the airline made only A\$71.6m, and warned that the second half could produce "something less".

GCM buys remaining Bronzewing interest

By Nikk Tait

Great Central Mines, the Australian exploration company headed by Mr Joseph Gutnick, is to acquire the outstanding 30 per cent interest in the Bronzewing gold prospect in Western Australia.

GCM will also buy the 49 per cent interest in the Jundee tenements, north of Bronzewing. In both cases, GCM is raising its interest to 100 per cent, and buying the stakes from prospectors Mr Mark Creasy.

The total payment will comprise a non-refundable deposit of A\$5m (US\$3.5m) and 1m GCM shares. The company will then make a final payment of A\$107m within 120 days, or A\$117m within 12 months.

GCM said that it intended to raise debt finance to fund the final payment. Its shares were steady at A\$9.50 yesterday. GCM sprang into the limelight a year ago, when its shares climbed strongly after a New York rabbi, Brooklyn-based Rebbe Schneerson of the ultra-orthodox Lubavicher sect, prophesied that it would enjoy large finds.

GCM's market capitalisation soared to more than A\$1bn, on the back of the discovery of "microdiamonds" in the Greater Nabberru region of Western Australia and talk of the rabbi's prophesy.

The diamond interests have yet to prove economic, but GCM has discovered a gold deposit at Bronzewing.

Lift-truck producers go global

Takeover of Lancer Boss will not be the last, writes Andrew Baxter

Last week's takeover of the UK's Lancer Boss by Jungheinrich of Germany is unlikely to be the last such deal in an industry where medium and small-sized companies are becoming increasingly squeezed as the "big boys" pull away from the pack. In spite of a series of mergers in the 1980s, the industry is still plagued by excess manufacturing capacity - especially in Europe - and increasing price competition exacerbated by the strong growth in the past decade of Japanese and Asian producers.

Success in traditional but mature western markets requires financial strength to weather the business cycles inevitable in industrial equipment. Meanwhile, the best long-term growth prospects are elsewhere, notably in Asia.

To succeed, large producers of lift trucks are taking a global approach, either through acquisition or organic growth.

Medium-sized producers, in contrast, are finding they lack the volume to generate sufficient cash flow when markets are strong, while small companies are left to exploit specialist niches.

Since the 1980s, the industry has been reshaped. The big acquirers of the past decade have been Linde of Germany and Nacco of the US.

Linde has become the industry leader through a string of acquisitions in Europe - Fenwick in France, Wagner and Still in Germany, and Lansing Bagnall in the UK.

Nacco (North American Coal Corporation Industries) has made its purchases in the US. It bought Yale in 1986 and Hyster in 1988.

Speculation of further deals continues - Nacco, for example, is said to be keen to buy Swedish-owned BT Nacco supplies four-wheeled counterbal-

WORLD TOP TEN LIFT TRUCK PRODUCERS	
Company	1992 turnover* D-Mark (m)
Linde (Germany)	2,932
Jungheinrich (Germany)**	1,797
Toyota (Japan)	1,548
NACCO - Hyster/Yale(US)	1,394
Komatsu (Japan)	1,297
Torac - Clark (US)	908
Toyota Unimul (Japan)	874
Mitsubishi (Japan)	778
Crown (US)	697
Nordico - BT (Sweden)	685

* Lift truck turnover only ** Pre-former figure based on combining sales of Jungheinrich and Lancer Boss

Jungheinrich's profits fall

Jungheinrich, the Hamburg-based lift truck producer, yesterday announced a sharp fall in group net profits to DM5.1m (\$5.06m) last year from DM54.3m in 1992, writes Andrew Baxter.

The group which also has property interests, said it is cutting its 1993 dividend per ordinary share from DM7 to DM3, while the payout on preference shares was cut from DM5 to DM4.

The group said the "toughest ever post-war year for west European lift-truck producers" had left its mark, but the com-

pany had retained its strong position worldwide. Group sales fell from DM1.6bn to DM1.4bn, and group income from DM90m to DM34.5m. The company said 1993 distributable profit was DM10.2m. The 1992 figure was not available.

Jungheinrich, which produces mainly at its large Hamburg plant and also buys in lift trucks, said it expected a slight improvement in earnings this year, with group sales recovering to about DM1.6bn.

\$200m (\$298m). It, too, had expanded by acquisition in Europe, but wanted to become bigger.

Sir Neville Bowman-Shaw, its former chairman, believed the company needed sales of \$500m to secure its global position.

Its problems have given Jungheinrich an excellent opportunity to bolster its global position. In contrast to Linde and Nacco, the Hamburg-based company has until this month followed the Japanese-style organic approach to growth. Its last lift-truck acquisition was a

previous year, while total sales for the group, which consists of 59 companies organised under seven divisions increased by 20 per cent to DM5.5bn.

Performance in the financial services division, increased by 18 per cent to DM6.7bn.

German fashion designer raises dividend

By Judy Dempsey in Berlin

Jill Sander, one of Germany's leading fashion designers, will increase its annual dividend by DM3.50 to DM26 after the company announced a 2 per cent rise in profits last year.

In spite of the recession,

which has particularly affected Germany's textile industry, the group's profits rose by 22 per cent to DM9.5m (\$6.9m) on turnover of DM133.3m, a decline of 2.2 per cent on the previous year.

Exports last year accounted for 42.8 per cent of total turnover, and are expected to rise

above 45 per cent this year.

Debis, the services subsidiary of Daimler Benz, yesterday announced a 40 per cent rise in operating profits for 1993, with the financial services division heading the group's strong performance. Operating profits rose in 1993 to DM400m from DM312m the

small French deal in 1974, but by 1991 it had grown quietly to third place in the industry behind Linde and Toyota.

Jungheinrich stopped to fourth in 1992, the latest year for which rankings were available, but the takeovers of Lancer Boss and Steinbock Boss would have put it into second place with turnover of nearly DM1.5bn (\$1.08bn) and more than 8,000 employees.

For Jungheinrich, though, the rankings are less important than the impact on its competitiveness. Overall, says Mr Bischof, Jungheinrich has both broadened its product range and "taken the first step to looking outside Europe into a global market".

The acquisition of Steinbock significantly strengthens Jungheinrich's position in the market for very narrow aisle (VNA) trucks used in warehouses.

By taking over Lancer Boss, the Hamburg company says its potential to penetrate the counterbalanced electric and combustion engine market is strengthened because of the UK company's "excellent engineering" in this area.

The deal takes Jungheinrich for the first time into self-lift trucks and container handling trucks. For all its financial problems, Boss was the world leader in trucks to handle empty shipping containers, and has been very successful in the booming Asian market that Jungheinrich wants to exploit.

Mr Bischof hints that the twin acquisitions may not be the last made by Jungheinrich, and says they will make a positive contribution to Jungheinrich's profits next year.

As one observer points out, there are some "lovely" profit margins on big container handling trucks. And Lancer Boss' home market is recovering strongly from recession.

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The Republic of Turkey, Public Participation Administration (PPA) offers the below listed facilities and lands owned by TURBAN TURIZM A.Ş., as to be privatised separately. The facility and land whose names are written below will be privatised according to the Public Participation High Council's Decision number 93/93, dated 01.12.1993

TURBAN TURIZM A.Ş. FACILITIES AND LANDS

No.	Name of the Facility	Amount of Bid Bond (TL)	No.	Name of the Land	Area (sq.m.)	Amount of Bid Bond (TL)
1	Çeşme Hotel and Annexes	3,000,000,000.-	1	Land of Çeşme Hotel, Izmir	6,673,67	4,000,000,000.-
2	Çeşme Hotel Lodgings	100,000,000.-	2	Iskenderiye Land, Izmir	164,735	1,000,000,000.-
3	Kemer Marina Hotel	3,000,000,000.-	3	Küçüközü Land, Izmir	25,157	250,000,000.-

1. The Information Memorandum relating to each facility and land offered can be obtained from PPA for a fee of 500,000.- TL per copy.
2. The privatisation of the above mentioned facilities and lands shall be realized by accepting bids and negotiating with the potential investors subsequently.
3. The bids may be submitted for each facility and land separately or for more than one together.
4. The liabilities, receivables and inventories of the facilities shall not be subject to the sale.
5. The facilities and lands offered, shall be transferred to the BUYER in the latest condition as of the sale date.
6. All obligations related with the rights and receivables which already derived or may derive from Law No.1475 and the current Labor Agreement on behalf of the personnel at Çeşme Hotel and Annex shall be burdened by the BUYER. The severance payments of the personnel are subject to the negotiations.
7. 8,659/11,533 square of the land of the Çeşme Hotel Lodgings shall be subject to the sale.
8. Only the building of the hotel will be subject to the sale in the privatisation of Kemer Marina Hotel. The General Management of National Property (Mülkiyet Genel Müdürlüğü) will provide the right of easement of the land for a duration of 49 years.
9. The bidder shall submit an irrevocable unconditional bid bond with a maturity of 6 months according to written corresponding amount of the name of the facility and land, in a sealed envelope on which "CONFIDENTIAL" is written, until the latest date of May 27, 1994 and 5.00 p.m. to the written below address.
10. The following documents shall be attached to the offer in the event that:
a) the bidder is a real person, the certificate of specimen signature;
b) the bidding is made by a proxy, the power of attorney particularly authorizing the procurator to bid in the tender of TURBAN facilities and lands on behalf of the bidder and the certificate of specimen signature of attorney;
c) the bidder is a legal person, a certificate of power proving that the person acting on behalf of the legal person have the authority to represent and obligate the legal person together with specimen signature.
11. Bidders have two alternatives of payment, paying at once and payment by installments. On the condition that the bid is to be paid by installments, the 25% of the bid should be paid at once as deposit and the installment period should not be longer than 2 years. On the condition that the bid is on installment basis, other assets will be clarified during the negotiation meetings.
12. Other significant matters relating to the privatisation of the above stated facilities and lands shall be notified to the bidders during the negotiation meetings.
13. The PPA is not subject to the State Tender Law No. 2880 and reserves the rights to decide whether or not to privatize the properties and to extend the deadline or to terminate the tender, if deemed necessary.
14. The sale of the properties to real persons and the legal entities domiciled abroad is subject to the existing law and regulations of foreign capital, copies of which can be obtained from the Undersecretariat of Treasury and Foreign Trade, General Directorate of Foreign Investment.

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Overseas buying helps US Treasuries rebound

By Patrick Harrington in New York and Sara Webb in London

US Treasury prices yesterday rebounded sharply from Monday's lows, aided by overseas buying and short-covering by dealers.

By midday, the benchmark 30-year government bond was up 1/8 at 94 1/8, yielding 7.561 per cent. Prices were also firmer at the short end, where the two-year note was up 1/8 at 98 1/8, to yield 6.183 per cent.

The bond market got off to a positive start, thanks to strong overnight buying of Treasuries by Japanese and Middle Eastern investors. That demand quickly triggered heavy buying in New York, which forced

many dealers to hurriedly buy securities to cover their short positions.

In spite of the gains, analysts said that the mood of the market remained downbeat in the wake of the Federal Reserve's decision not to raise interest rates on Monday. Investors and traders had been hoping that the Fed would tighten monetary policy to slow the economy down and stifle inflation.

It is now thought likely that the Fed will make a move until the May 17 meeting of its policy-making open market committee.

European government bond markets temporarily recovered their composure, closing higher as the Bundesbank's

decision to cut its closely-watched repo rate yesterday raised market hopes of a further cut in the key discount rate at today's Bundesbank council meeting.

GOVERNMENT BONDS

The securities repurchase, or repo, rate fell from 5.41 per cent to 5.35 per cent, with the Bundesbank adding a net DM1.1bn in liquidity, and narrowing the gap between the repo and the discount rate, which effectively provides the floor for money market rates.

The move, which was within the market's expected range, prompted speculation that the

Bundesbank will cut its discount rate by 25 basis points today from 5.60 per cent to 4.75 per cent, and that the Bank of France will have room to ease again, possibly at next Monday's repo.

The European markets have been jittery since Friday, when the release of the latest US payroll data sparked fears of an imminent rise in short-term US interest rates.

"There is mounting speculation that we could see the Federal Reserve raise rates on Wednesday while the Bundesbank could cut rates," said Mr Kit Juckes, economist at S.G. Warburg Securities.

Adding to the optimistic mood in the bond market was the fact that April inflation

was revised downwards from 3.2 per cent year-on-year to 3.1 per cent. Meanwhile, news that the German March M3 figure was revised upwards to 15.4 per cent, from a preliminary figure of 15.2 per cent, was largely ignored by the market.

Dealers commented that there was very little cash business, with most of the activity taking place in the futures market. The bond futures contract opened at 94.27 and slipped back to a low of 94.25 soon afterwards, but then picked up and recovered to reach 95.10 by late afternoon.

UK government bonds gained 1/8 points despite a volatile session, but the most important news came after the

gilt market had closed, when the Bank of England released its quarterly bulletin and inflation report.

The Bank revised upwards its inflation forecast for 1995, citing higher monetary growth and rising labour market costs. However, dealers said the gilt futures contract climbed a quarter point from 103.15 to 103.23 in after-hours trading as participants chose to focus on the relatively favourable short-term inflation outlook.

Japanese government bond prices closed higher, driven up by modest domestic buying and helped by the Bank of Japan's decision to inject liquidity at its money market operations.

Austria launches road-show to promote sell-offs

By Patrick Blum in Vienna

Austria is launching an international campaign to promote forthcoming privatisation issues and broaden the appeal of the Vienna stock exchange.

The government hopes to raise around \$500m from the sale of its 51 per cent stake in VA-Tech, the engineering, power and construction group, shortly. Altogether, 7.65m shares are being offered (at an indicated price range of Sch820-Sch830 per share), with 1.65m of those available to international investors.

The deal is being priced on Friday and Mr Viktor Klima, minister for the nationalised industries and transport, will be in London tomorrow to publicise the event.

INTERNATIONAL EQUITY ISSUES

licise the event. In all, it is hoped privatisation will raise around Sch20bn over the next 18 months.

Sales will include Schöten for Boehler-Udholm, the steel maker, and Schlöbner for OMV, the oil, gas and chemicals group. Mr Klima said there had been strong interest in VA-Tech from international institutional investors.

A private partner for a stake of around 20 per cent in OMV - 28 per cent is already held by private shareholders - is expected to be chosen within a month. A group of investors from Abu Dhabi, and separately Bayernwerke of Germany, have shown interest in buying the stake. OMV also plans a one-for-eight rights issue to raise around Sch3bn, at current prices.

Boehler-Udholm was given a Sch2.5bn capital injection this year to prepare for privatisation in 1995.

The government also plans to sell part of its holdings in Bank Austria and Creditanstalt, the country's two largest banks, and at least half its 36.5 per cent stake in Vienna International Airport. It is also looking for a strategic partner for Austrian Airlines, the state carrier. Later, it wants to privatise the state railways, and the country's post and telecommunications company.

The privatisation programme is the most ambitious yet by an Austrian government. Mr Klima says it will improve the companies' competitiveness and give a boost to the domestic capital market by attracting more foreign investors.

"In the past, we failed to promote the Vienna stock exchange to the international community," he said. As a result, the market remained weak, because there are no major institutional investors such as large pension funds in Austria, and individual investors prefer to place their money into savings accounts.

Austrians are among the world's leading savers, with more than Sch2,000bn in various forms of savings. Only 4 per cent of them invest in the stock market.

The preference for individual savings books, and for companies to borrow money rather than go to the stock exchange, has been good for the banks but has restricted the growth of the local capital market.

The government has improved the legal environment, abolished its tax on assets, and reduced taxation to make issuing and buying shares more attractive, and several private companies are planning issues.

Lloyds Bank funds C&G bid with £400m two-tranche deal

By Antonia Sharpe

Lloyds Bank's £400m two-tranche transaction of subordinated debt dominated a relatively busy day in the international bond market yesterday.

Of the total amount, which Lloyds said would satisfy all its loan requirements in relation to its proposed takeover of Cheltenham & Gloucester Building Society, £200m was raised through an offering of five-year floating-rate notes (FRNs) exchangeable at the bank's option into a further 10-year issue. The notes were priced to yield 70 basis points over three-month Libor.

The balance was made up of an issue of 15-year fixed-rate bonds priced to yield 110 basis points over the 9 per cent UK government bond due 2008.

Dealers noted that the spread on Lloyds' 10-year subordinated bonds launched in February stood at 90 basis points yesterday, so it was pay-

ing an extra 20 basis points for the additional five years.

Mr John Gilhe, chief manager group finance at Lloyds Bank, said the structure of the deal was designed to keep the average cost as low as possible. In addition, the call option on the FRNs gave the bank flexibility with its capital requirements. "We may not need the capital for that long," he said.

INTERNATIONAL BONDS

Syndicate managers said the greater proportion of FRNs and the generous pricing reflected Lloyds' desire to overcome difficult market conditions and ensure a successful transaction. "It was a greedy trade by people who need the money," said one syndicate manager.

The three joint lead managers, Goldman Sachs, Salomon Brothers and S.G. Warburg, reported that the FRNs sold

quicker than the fixed-rate bonds.

The perception that the FRNs were cheap caused the discounted margin on the notes to tighten to 62 1/2 basis points over Libor at one stage. However, it settled at 65 basis points in late trading.

By contrast, the fixed-rate bonds went almost exclusively to UK institutions and the spread remained unchanged where they were freed to trade.

"There is not the same depth of demand for fixed-rate sterling bonds as there was three months ago," said Salomon.

However, S.G. Warburg said the statement by Lloyds that it had no further plans to raise loan capital facilitated sales.

Elsewhere, Unilever, the Anglo-Dutch consumer products group, raised FF1.5bn through an offering of 10-year Eurobonds.

Joint lead manager SBC said Unilever's wide following among institutional and retail

investors enabled it to achieve pricing comparable with French public sector debt.

Eurofima, L'Oréal and Carrefour are also thought to be looking to raise French francs. Standard & Poor's has revised its outlook on the

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon (%)	Price	Maturity	Face (%)	Spread bp	Book runner
Borrower US DOLLARS							
Tokyo Marine Co.†	50	3.8	100	May 1996	undfcd.	-	Fuj Int. Finance
D-MARKS S.Aust. Gov./Fin.Authority	350	(%)	100R	June 1996	0.10R	-	SBC (Deutsche)/Sawwa Bk.
Y&R Heller Finance	100m	3.8	99.90R	Aug. 1997	0.25R	-	Merrill Lynch Int.
KFW Int. Finance	150m	3.85R	100R	May 1999	0.25R	-	Dalme Europe/Messl Tot.
STERLING							
Lloyds Bank	300	(%)	99.89R	June 2008	0.25R	-	Goldman Sachs/Salomon/SG
Lloyds Bank	100	8.25	99.94R	June 2008	0.55R	+110 (94-98)	Warburg
Deutsche Bank Fin. Group	100	7.25	undfcd.	Dec. 1998	undfcd.	-	Deutsche Bank
FRENCH FRANCS							
Unifrance	1.5bn	7.125	99.201R	June 2004	0.252R	+20 (94%-98)	BNP/BSF France
Cie Benelux	1bn	5.75	99.94R	Dec. 1995	0.15R	-	COF
CANADIAN DOLLARS							
Bank of Montreal	100	8.5	99.94R	June 1997	0.20R	+40 (94%-98)	Dalme Europe
GULDERS							
ABN Amro	500	6.75	99.10R	May 2001	0.30R	+35 (94-98)	ABN Amro

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. All prices are in US dollars. All coupon rates are in US dollars. All coupon rates are in US dollars. All coupon rates are in US dollars.

Republic of Ireland's long-term foreign currency rating of double-A minus to positive from stable. The revision reflects the government's adherence to conservative demand management policies and structural reform.

IBCA, the rating agency, has upgraded Fokus Bank of Norway to A- from BBB+, writes Karen Fossell from Oslo.

The move follows a strong improvement in the bank's financial position, including a return to profit in 1993.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red. Date	Price	Day's change	Yield	Week ago	Month ago
Australia	8.500	08/03	104.9200	+1.340	8.71	8.75	8.12
Belgium	7.250	04/04	97.8400	+0.280	7.25	7.48	7.13
Canada	8.000	08/04	98.2000	+0.200	8.25	8.38	8.07
Denmark	7.000	12/04	97.0500	+0.900	7.40	7.44	6.85
France	8.000	05/08	108.0000	+0.470	8.27	8.32	6.78
Germany	5.500	04/04	98.6100	+0.840	6.98	7.04	6.51
Italy	8.000	09/03	98.4400	+0.590	8.52	8.49	8.17
Japan	8.500	01/04	96.7100	+0.710	8.02	8.13	8.74
Netherlands	10.000	08/08	108.1100	+0.230	3.29	3.33	3.51
UK	10.000	09/03	98.4400	+0.590	8.52	8.49	8.17
US Treasury	8.000	04/04	98.6100	+0.840	6.98	7.04	6.51
ECU (French Govt)	8.000	04/04	98.6100	+0.840	6.98	7.04	6.51
London clearing	8.000	04/04	98.6100	+0.840	6.98	7.04	6.51
Yield: Local market standard.							

US Treasury: 10-year yield 7.561% (10-year T-bill 6.183%). 10-year T-bill: 6.183% (10-year T-bill 6.183%). 10-year T-bill: 6.183% (10-year T-bill 6.183%).

Prices US \$100 in 100ths, unless stated. Source: IHS International

US INTEREST RATES

Instrument	Rate	Change	Yield
Prime rate	6 1/4	0	6.25
90-day T-bill	5 1/4	0	5.50
3-month T-bill	5 1/4	0	5.50
6-month T-bill	5 1/4	0	5.50
1-year T-bill	5 1/4	0	5.50
2-year T-bill	5 1/4	0	5.50
3-year T-bill	5 1/4	0	5.50
5-year T-bill	5 1/4	0	5.50
10-year T-bill	5 1/4	0	5.50
30-year T-bill	5 1/4	0	5.50

Source: IHS International

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	118.10	118.70	+0.60	120.00	118.00	211,393	126,419
Jul	118.10	118.70	+0.60	120.00	118.00	1,381	16,843
Dec	117.15	117.52	+0.37	117.15	117.15	1,128	3,273

LONG TERM FRENCH BOND OPTIONS (MATF)

Strike	Jun	Jul	Aug	Sep	Oct	Nov	Dec
118	1.17	1.80	-	-	0.47	2.01	-
120	0.82	1.38	1.40	0.88	-	-	-
122	0.57	1.02	1.11	0.68	1.81	2.07	-
124	0.32	0.78	0.86	0.49	1.58	2.22	2.38
126	0.07	0.52	-	-	-	-	-
128	0.03	0.35	-	-	-	-	-

Est. vol. total, calls 31,398; puts 28,227. Previous day's open int., calls 48,165; puts 35,775.

Germany

NOTIONAL GERMAN BOND FUTURES (LIEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	94.27	95.08	+0.81	95.35	94.25	196,789	108,323
Sep	93.63	94.34	+0.71	94.60	93.63	5,533	10,892

BUND FUTURES OPTIONS (LIEFF)

Strike	Jun	Jul	Aug	Sep	Oct	Nov	Dec
95.00	0.58	0.98	1.16	1.34	0.82	1.34	1.82
95.50	0.38	0.67	0.85	1.11	0.68	1.81	2.07
96.00	0.19	0.50	0.78	1.04	0.49	1.58	2.22
96.50	0.09	0.35	0.62	0.86	0.49	1.58	2.22
97.00	0.03	0.35	-	-	-	-	-

Est. vol. total, calls 10,083; puts 14,041. Previous day's open int., calls 31,398; puts 28,227.

Italy

NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	111.43	112.05	+0.62	112.48	111.43	50,940	77,457
Sep	110.90	111.26	+0.36	111.26	110.88	1,134	2,841

ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIEFF)

Strike	Jun	Jul	Aug	Sep	Oct	Nov	Dec
112.00	0.75	1.25	1.50	1.75	1.25	1.75	2.25
112.50	0.50	0.90	1.15	1.50	1.00	1.50	2.00
113.00	0.35	0.75	1.00	1.35	0.85	1.35	1.85
113.50	0.25	0.65	0.90	1.25	0.75	1.25	1.75
114.00	0.15	0.55	0.80	1.15	0.65	1.15	1.65
114.50	0.10	0.50	0.75	1.10	0.60	1.10	1.60
115.00	0.05	0.45	0.70	1.05	0.55	1.05	1.55

Est. vol. total, calls 1610; puts 1970. Previous day's open int., calls 7637; puts 74705.

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	94.55	95.02	+0.47	95.07	94.55	62,853	112,108
Sep	94.55	95.02	+0.47	95.07	94.55	230	1,258

UK

NOTIONAL UK GILT FUTURES (LIEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	103.14	103.16	+0.02	103.51	102.90	67,932	123,399
Sep	102.14	102.12	-0.02	102.51	101.90	0	398

LONG GILT FUTURES OPTIONS (LIEFF)

Strike	Jun	Jul	Aug	Sep	Oct	Nov	Dec
103.00	0.58	0.98	1.16	1.34	0.82	1.34	1.

COMPANY NEWS: UK

GA tops £60m but balance sheet suffers

By Richard Lapper

A sharp decline in the value of its investments in equities and gilts has dented the balance sheet of General Accident, one of the largest UK composite insurers.

The Perth-based company yesterday disclosed the extent of the damage when reporting a rise in its pre-tax profits to £60.4m (£41.3m) for the first three months of 1994.

GA's solvency margin – the yardstick which compares shareholders' funds as a percentage of non-life premium income – had fallen to 55.4 per cent by May 6, compared with 65.5 per cent at the end of last year.

Net asset value per ordinary share fell from 54p to 45p over the same period.

However, Mr Nelson Robertson, group chief executive, described the operating result as the best "ever achieved in an opening quarter".

The impact of severe winter weather in the US and Canada, which added an extra £27m in losses compared with last year, was offset by continued improvement in UK underwriting results, with a profit of £30.3m (£41m deficit) for the three months.

"The control of costs, more selective underwriting procedures and an increased emphasis on customer service," were singled out as factors behind the improvement by Mr Robertson. Each of GA's UK



Nelson Robertson: increased emphasis on customer service

underwriting lines was in surplus, with the exception of liability business.

Underwriting losses in the US amounted to \$57.8m (£39.6m) against \$60.1m, while losses in Canada increased to \$363.1m (£231m) compared with \$322.4m. Parts of Canada have experienced one of the coldest winters in living memory.

Overall general premium income increased to £1,070m (£1,012m). Life premiums rose to £216.6m (£207m). Investment income rose to £118.8m (£117.3m).

Estate agency losses were marginally higher at £3.8m (£3.7m). Underwriting losses were £63.3m (£77.1m deficit). Life profits were £12.1m (£10.5m). Interest on loans amounted to £3.4m (£5.7m).

Acquisitive Headlam launches £9m rights

Headlam, the acquisitive floorcoverings and fabrics distributor group, has launched its second rights issue within a year in order to help finance two further purchases.

The cash call, via the issue of up to 5.05m new ordinary shares on a 1-for-7 basis at 185p, will raise £9m net of expenses.

The acquisitions are of Gordon John Textiles, a converter and distributor of plain and printed fabrics for the domestic and contract curtain markets, and Wilfries Readyman, an operator in the ready-made soft furnishings market.

Consideration for Manchester-based Gordon John is £2.98m while that of north London-based Wilfries amounts to £900,000. Both transactions will be in cash. For the 1993 year Gordon John returned pre-tax profits of £200,000 on turnover of £14.7m. Wilfries achieved pre-tax profits of £200,000 from turnover of £2.3m for the same year.

Mr Graham Waldron, Headlam chairman, said the acquisitions would complement last year's purchase of Claremont Fabrics, which was part financed by a £5.04m rights issue.

Luxury end helps Time Products rise 15%

By David Blackwell

A successful year in the luxury wristwatch market, with one item being sold for £500,000, helped Time Products to boost 1993 profits by 15 per cent.

The watch and jewellery distribution group reported pre-tax profits up from £9.9m to £11.4m, including £1.5m from the disposal of the group's remaining property interests in Hong Kong.

Turnover expanded 13 per cent from £59.2m to £67.1m. The 1993 turnover contained £9.6m from discontinued operations.

Mr Marcus Margulies, chairman, said the group's luxury business had had an

outstanding year. Luxury items now accounted for 80 per cent of operating profits, compared with 20 per cent from the volume operations, which include Sekonda watches.

Last March the group paid £11.9m for Judith Leiber, an American designer of luxury handbags and evening bags sold at between \$1,200 and \$4,000 (£820 to £2,740). It also bought the North American distribution rights for Audemars Piguet, the Swiss watchmaker, for £2m.

The two acquisitions contributed £18.6m to last year's turnover and £1.57m to operating profits of £9.15m (£6.54m).

Mr Margulies predicted that near-term growth would come predomi-

nantly from expanding the Judith Leiber brand beyond the US. The group was already supplying two outlets in Thailand.

The group had also opened a luxury watch showroom at Judith Leiber's premises in New York. It holds agencies for seven luxury watchmakers including Blancpain, Vacheron Constantin, and Audemars Piguet.

Since the year end it has purchased 78 per cent of the marketing company for Audemars Piguet in Switzerland – which Mr Margulies described as "a real feather in our cap".

Net interest receivable fell from £2.12m to £728,000.

Earnings per share rose 14 per cent to

15.8p (13.9p). A proposed final dividend of 5.5p takes the total for the year to 8.5p (7.95p).

COMMENT

The strategy of concentrating on luxury brand names appears to be bearing fruit. Taking non-recurring items out, profits were ahead by 12 per cent – a good underlying performance – and the group ended the year with net cash of £10.9m. If the management's faith in the expansion possibilities of the Judith Leiber brand is realised, further strong growth can be expected. Pre-tax profits of £11.5m this year would put the shares on a prospective multiple of 16, which looks fair value.

Chesterfield shares rise on 63% net assets increase

By Simon Davies

Shares of Chesterfield Properties yesterday rose 12p to 613p after the company announced a 63 per cent rise to 55p in its net asset value per share as at December 31.

The figure partly reflected the write-back of a £25.7m provision in the previous year; the investment property portfolio increased by 17 per cent in value, with its central London component improving by 24 per cent.

Pre-tax profits leapt to £37.4m in 1993, compared with

a restated loss of £18.1m. Excluding the write-back, profits rose 7 per cent to £8.2m.

The group's entertainment interests, which range from its three Curzon cinemas to a number of West End theatres, suffered from a £500,000 provision for bad debt and contributed a loss of £1m.

Rental income fell from £36.1m to £26.9m reflecting property disposals. Mr David Kiernan, finance director, said one further small property disposal was under consideration, but the company was seeking acquisitions.

Net debt amounted to £160m at the year end, representing gearing of 102 per cent, less than half the 1992 figure.

The company's £56m of development properties are still valued at cost, with £20m of these in the US. Mr Kiernan was confident that this reflected current market value, and no provisions would be required.

A proposed final dividend of 8p makes a total of 12p (11p). Earnings per share were 171.64p, of which 137p was accounted for by the revaluation.

Smith & Nephew sets up new joint venture

By Daniel Green

Smith & Nephew, the medical goods company, has made the first of what could be a series of investments in the biotechnology sector by setting up a joint venture to develop a product for what it says will be a \$1bn a year market.

The venture is with Advanced TissueSciences, a California-based Nasdaq-listed company with a market capitalisation of about \$200m (£137m).

ATIS grows living cartilage in the laboratory which is then surgically inserted

into the patient's knee.

The technology has been demonstrated in animal tests and the joint venture would now put it into clinical trials, said Mr John Robinson, chief executive.

S&N is already a large supplier of joint replacement systems such as knees and hips, but the technology has not changed fundamentally for many years. It is putting \$10m cash into the venture, with the cartilage technology valued at \$10m coming from ATIS.

Mr Robinson hoped to have the product on the market by 1999.

Ashanti on course to hit 1m ounces a year

By Kenneth Gooding, Mining Correspondent

Ashanti Goldfields of Ghana, which was floated on the London Stock Exchange last month, is still on course to become one of the world's few 1m ounces a year gold producers in 1996.

This was revealed yesterday by Mr Sam Jonah, managing director, who also reported a marginal increase in pre-tax profits for the six months to end-March.

The profits figure of \$42.8m (£28m) was in line with most expectations and compared with \$41.5m. Turnover increased from \$127.3m to \$142.8m and earnings per share emerged at 53 cents (52 cents).

Mr Jonah said gold production in the half-year was below the budgeted 365,268 ounces at 380,581 ounces, principally because of a lower grade of ore processed at the

Pompora treatment plant.

A higher gold price encouraged Ashanti to use more low-grade ore from its stockpile. Also, a lower average grade of ore mined underground pushed Ashanti's cash costs from \$157 an ounce in the same period a year ago to \$184.

Mr Jonah said these underground difficulties should come to an end in about a month's time.

Ashanti expected production to increase significantly in the second half following the full commissioning of a biological sulphide treatment plant and further development of the underground mine. The production target of 860,000 ounces for the year was expected to be met at cash costs below \$180 an ounce over the full year.

The average gold price achieved before hedging in the half-year rose from \$339 to \$382 an ounce.

Cassell pathfinder published

By Andrew Bolger

Cassell, the publisher which will soon come to the market with a market capitalisation of about £15m, yesterday published its pathfinder prospectus.

The document said the group, which recently bought the Victor Gollancz fiction imprint, made an operating profit of £1.2m on sales of £20.1m in 1993.

Cassell is being floated by way of a placing by Charterhouse Bank, with Charterhouse Tilney acting as broker.

It will raise about £7m of new money to redeem preference shares and substantially reduce debt. Impact day is May 24 and dealings are expected to begin on June 2.

The group is best known as a publisher of dictionaries and reference books. Its other imprints include Ward Lock, which includes the Mrs Beeton cookery books.

Cardiff Property set to expand

Cardiff Property yesterday announced it was making a share offer for First Choice Estates, which values the residential property developer at £2.5m.

The purchase, which is being made on Cardiff's behalf by Brown Shipley, will be satisfied by the issue of 781,587 new shares at 20p apiece.

Cardiff is offering 13 new shares for every 125 ordinary £1 shares in First Choice and 23 new shares for every 18 £1 A ordinary shares.

The underlying net asset value of First Choice at September 30 1993 was £2.27m, and the offer values each share at 33.3p – a 10 per cent premium over the net asset value – and 460p for each First Choice A ordinary – a premium of 8.8 per cent.

In addition, Cardiff has placed 200,000 new shares at 315p apiece to raise £630,000. The placing and offer are not interconditional.

GA General Accident

A RECORD FIRST QUARTER

3-MONTHS' RESULTS

	3 Months to 31.3.94 Estimated £m	3 Months to 31.3.93 Estimated £m
General Premiums	1,070.2	1,012.2
Life Premiums	216.6	207.0
Net Investment Income	115.4	111.6
Underwriting Result	(63.3)	(77.1)
Profit before Taxation	60.4	41.3
Profit attributable to Shareholders	43.8	27.5
Earnings per Ordinary Share	9.7p	6.1p

- Pre-tax profit of £60.4m is a record for a first quarter
- Improvement maintained in the UK across all major classes
- Underlying improvement in the US offset by weather costs.
- Deterioration in Canada reflects prolonged and severe storm losses.
- Excellent results from the Pacific.
- Some welcome improvement in Europe.
- Life operations continue to make good progress.

Nelson Robertson, Group Chief Executive, comments:
"We have achieved a record start to 1994 despite additional weather losses in North America of £27m."

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH



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COMPANY NEWS: UK

Disposal plan will cut Do It All to 140 stores

By Neil Buckley

Boots and WH Smith said yesterday they planned to sell up to 100 stores in Do It All, their loss-making DIY joint venture, with 40 disposals already agreed. They are making total provisions of £80m.

Do It All currently has 220 stores trading, with 20 already closed. The disposals would leave the chain with 140 stores, all of which will be refitted to a new design called the "new trading concept".

The joint venture partners said they expected the chain to return to a trading profit in the next financial year, 1995-96.

The number of agreed sales is less than the City had expected, although the eventual total is larger and the provisions smaller. Analysts pointed out, however, that of the 40 "agreed" sales, only 14 had been finalised, contracts had been exchanged for a further

10, but 16 were still under negotiation.

But SF Malcolm Field, chief executive of WH Smith, described the programme as "decisive action", which would "put Do It All into operating profits over the next two years and create a strongly competitive business for the longer term".

The partners said they expected to announce further disposals in coming months, and were "reasonably optimistic" about meeting the 100-store target.

Boots' shares closed up 3p at 559p, but WH Smith's dropped 9 1/2p to 506 1/2p.

The reorganisation provision will be taken in Do It All's profit and loss account for the year to February 1994. It includes £55m to cover the disposals - including a £19m write-off of fittings, fixtures and stock, £5m for trading losses, and £21m for other costs

including reverse premiums, rents on vacant stores and redundancies.

The remaining £5m is to cover write-offs associated with refitting remaining stores.

Mr Steve Russell, managing director of Do It All, said it was difficult to forecast the number of redundancies resulting from the disposals, but they were unlikely to be large.

There would be some redundancies at head office, but these would result not just from the disposal programme, but from an extensive review of management systems designed to increase efficiency. Efficiency would also be improved through the introduction of centralised distribution.

Biggest buyer of the stores is the Focus DIY chain with 10 - and which is expected to take more after its flotation in October - and Courts, the furniture retailer.

Where diversity helps balance the books

John Gapper on Royal Bank of Scotland and its true worth

In the four years since Mr George Mathewson took control of Royal Bank of Scotland, his constant refrain has been that his bank's true value is not appreciated.

The steep climb in its share price over the past two years has reduced the volume of his complaint, but not yet stopped him making it.

"I'm in a bind, because when I say value is not recognised, people ask why we don't release value by floating something. But no, I still don't think it is," he says, undaunted by the fact that his bank's shares now trade at 2.46 times their book value - marginally higher than even Lloyd's Bank.

This is a considerable turnaround from when Mr Mathewson was appointed deputy chief executive in 1990. It was part of a reshuffle engineered by Lord Younger, the chairman, to shake up what Mr Chris Ellerton, a bank analyst at SG Warburg, refers to as its "moribund" former management.

The publication of its interim results today marks a further step in its development since then. The flowering of businesses such as Direct Line, its telephone insurance arm, and Citizens, its US subsidiary, have now pushed its value to some £1.25bn more than its old rival, Bank of Scotland.

Yet whatever the quality of the former senior executives, it

was they who made a series of strategic decisions that have paid handsomely. These include the acquisition of Direct Line and Citizens, and forming an alliance with Banco Santander after it bought 9.9 per cent of Royal Bank's equity.

Mr Mathewson, a former engineer who joined the bank from the Scottish Development Agency, has cemented what once seemed a strained link with Mr Peter Wood, chief executive of Direct Line. He has also developed the Santander link strongly by investing in its Ilos cross-border payments system.

But questions remain over whether he has turned Royal Bank into a coherent business, rather than a collection of several. The bank has faced constant speculation about the flotation of Citizens or Direct Line, despite his insistence that he will continue to develop the bank as a single entity.

The rising share price has helped. Doubts about it having overlapping distribution methods in Direct Line and its branch bank are also easing. As more banks reduce their branches and turn to telephone and direct selling methods, Royal Bank's dual delivery approach appears increasingly sensible.

"I think it does make sense

Profit before provisions

divisional analysis (£m)	1992	1993
Branch banking	282.1	307.1
Corporate and institutional banking	117.3	155.8
Direct Line	15.1	50.2
Citizens	35.5	56.0
Operations	35.6	51.5
Central items	(5.0)	(23.7)
Totals	450.6	596.9

as a business, because banking is boiling down to the number and quality of the customers you can get," says Mr Ellerton. He says that Direct Line's ability to attract reliable, well-off customers means that Royal Bank can take market share cheaply, and with little risk.

"People do not realise the value of having more than one brand," says Mr Mathewson. He cites Direct Line's ability to price personal loans differently according to its assessment of how credit-worthy the borrower is. The branch bank could not do it because it would be socially unacceptable.

This ability to deploy a variety of selling approaches is one reason why Mr Mathewson likes having a diversified bank.

A second is that he has been trying to reduce the volatility of the bank's earnings after the shock of the £1.1bn debt provisions it had to make

between 1991 and 1993.

He says that corporate lending has proved the most volatile activity. The bank has partly tried to address this by working harder to sell things such as treasury products, and custodial services to large companies. But its main emphasis has been on diversifying its businesses to balance volatile ones.

Mr Mathewson says this is one reason for keeping Citizens, which made £19.7m in 1992 when pre-tax profits of the whole group fell to £20.9m. "Citizens earnings were very convenient then. The US banking market is not directly correlated with the UK one, so it gives us a balance," he says.

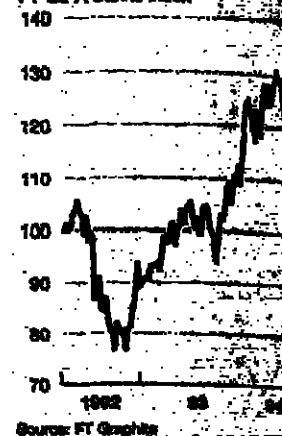
This belief in diversification, and reducing volatility of earnings, means that speculation about Royal Bank has been turning from the question of whether it will sell businesses to whether it will buy another one. Mr Mathewson himself insists that the latter is the more obvious course.

He argues that Royal Bank's capital backing and management expertise have helped to develop operations such as Citizens and Direct Line. "We have added value to Citizens even though we do not run the operations, and we will continue to try to create new and exciting businesses," he says.

Mr Mathewson sees the obvi-

Royal Bank of Scotland

Share price relative to the FT-SE-A Dividend Index



Source: FT Graphix

ous next target as a building society. The bank has already been selling more mortgages because they provide more consistent income than lending to companies. "The right society would give us a stable earnings stream, and perhaps a higher credit rating," he says.

The problem is that societies have been alerted to their potential value by Lloyd's bid. For the moment, many analysts think that investors have already recognised at least the greater part of Royal Bank's value. "The expectations are built into the price already," says Mr Ellerton. It remains for Mr Mathewson to prove that these expectations are still not great enough.

Chime confirms Chartwell deal

By Paul Taylor

Chime Communications, Sir Tim Bell's private PR business, confirmed plans yesterday to come to market through a reverse takeover of Chartwell Group, the USM-quoted toilet cubicle and carpet tile manufacturer.

The proposed deal provides a partial 34p share cash offer for Chartwell's existing shareholders. Shares in Chartwell, which yesterday reported a

substantially higher pre-tax loss of £1.19m (£445,000) in the year to March 31 on turnover of £6.26m (£5.62m), were suspended last week at 48p pending an announcement.

The Gravesend-based group will pay a total of £14.3m to acquire Chime, which was set up by Sir Tim in 1989 following a management buy-out from Lowe Howard Spink, the advertising company.

The acquisition will be partly funded through the plac-

ing by Panmure Gordon of £1.3m new shares at 34p each by institutional shareholders to raise £4.05m. The remaining £10.2m will be satisfied through the issue of a further 30.1m shares to the vendors.

A further 7.35m shares will be placed to raise £2.5m which will be used to reduce the debt incurred by Chime at the time of buy-out.

The enlarged group, which will be renamed Chime Communications, has applied for a London listing. It plans to dispose of the current Chartwell businesses "in due course".

Chime made 1993 pre-tax profits of £1.05m (£918,000) on turnover of £12.7m (£11.9m). Because of "the fundamental change" in the nature of Chartwell's business, Chartwell's existing shareholders are being offered 34p a share cash for up to 3m shares, representing 45 per cent of its fully diluted equity.

By Tony Jackson

A strong performance in hotels and nursing homes helped Vaux, the Sunderland-based brewer, to a 10 per cent rise in pre-tax profit to £10.7m for the six months to March 19.

The price war in the wholesale beer trade continued to take its toll, with a 10 per cent fall in Vaux's volume sales to the free trade.

Sir Paul Nicholson, chairman, said the overall beer market had fallen by 3 per cent, and by 10 per cent over the past three years. Vaux had resisted pressure to cut prices, he said. "We weren't prepared to trade margin."

Sales to Vaux pubs were also down 1 per cent.

However, this was more than offset by the start-up of a contract to brew Heineken lager for Whitbread, which helped contract brewing volume to double. The net effect was a 7 per cent rise in beer volume and a 3 per cent rise in trading profit to £2.7m, on sales up 1 per cent.

Group turnover was up 3 per cent at £109.1m. Profits from Swallow Hotels were up 13 per cent at £6m, with room rates held steady over the period and occupancy rates up slightly at 58 per cent. Profits from St Andrew Houses, the nursing homes chain, rose 13 per

cent to £2.3m. Profits from Vaux pubs were up 4 per cent at £2.4m.

Net debt was £125m (£123m) at mid-year, resulting in gearing of 33 per cent. After interest charges of £6.23m (£6.16m) and tax of £2.13m (same), earnings per share emerged 12 pence higher at 6.09p. The interim dividend is raised 3 pence to 3.35p.

Sir Paul criticised the government for inaction over beer imports. "The brewing industry is looking at difficult times ahead," he said. However, though the strength of recovery in consumer spending remained uncertain, Easter trade had been up to expectations and profits were ahead in the year to date.

COMMENT

Though the shares dipped 9p to 279p, there was nothing in the figures to surprise. The dividend increase looks mean, but Vaux is on record as wanting to rebuild cover to 2 to 2.5 times. Coming at the start of the brewers' results season, the profits performance may compare favourably with the rest of the sector. Assuming a full year pre-tax rise of some 10 per cent to £29.6m, the shares are on 15 times earnings. Though this is not hugely attractive, Vaux has the advantage of exposure to an apparently reviving hotels sector, in which it invested heavily through the recession.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for last year	Total for this year
Chartwell	8p	July 8	7.5	12	11
Dray's Blue Chip	5.495	July 28	5.495	8.4	8.4
Gartmore Amer	1p	Aug 1	1	4	4
Glasgow Int Text	0.5p	Aug 31	0.8	-	2.75
Kwik Save	5.75	July 1	5.4	-	18.3
Time Products	5.5	July 22	5.2	8.5	7.95
Vaux	3.35	July 4	3.25	-	9.5

Dividends shown pence per share net. 10p Increased capital. 20p Second interim; makes 1.2p to date.

Pargesa Holding SA

Notice is hereby given that an ANNUAL GENERAL MEETING OF SHAREHOLDERS will be held on Wednesday June 1, 1994, at 10 a.m., at the registered office of BANQUE PARIBAS (SUISSE) S.A., 2, place de Hollande, CH-1204 Geneva.

TO CONSIDER AND TO VOTE ON THE FOLLOWING MATTERS

- Annual report, consolidated accounts, and statutory accounts for the year ended December 31, 1993, and the report of the Auditors. The Board of Directors proposes that the annual report, the consolidated accounts and the statutory accounts for the year ended December 31, 1993, be adopted.
- Appropriation of profits. The Board of Directors proposes to pay a dividend of SF 102,361,107 (SF 68 per share), out of available profits of SF 215,803,047, which comprise a net profit for 1993 of SF 108,856,689 and a balance carried forward from 1992 of SF 106,946,358. After an allocation of SF 544,500 to the statutory reserves, SF 107,996,940 will be carried forward.
- Release of the Directors. The Board of Directors proposes that a release be issued to the Directors.
- Elections.
 - Board of Directors. The Board of Directors proposes that:
 - Messrs. Michel François-Poncet and Pierre Languet be re-elected for a three-year period;
 - Messrs. André Lévy-Lang and Hans-Jörg Rudloff be elected for a three-year period.
 - Auditors. The Board of Directors proposes that ATAG Ernst & Young S.A. be re-appointed for a one-year period as the Auditors of the statutory and the consolidated accounts.
- Creation of an authorized capital of a nominal amount of SF 148,500,000; amendment of the articles of association by creation of a new article 5 bis. The Board of Directors proposes the creation of an authorized capital up to a maximum amount of SF 148,500,000 by the issue of a maximum of 135,000 bearer shares with a nominal value of SF 1,000 each and by the issue of a maximum of 135,000 registered shares with a nominal value of SF 100 each within the proportions provided by article 11 of the articles of association, with authorization to the Board of Directors to suppress the shareholder's preemptive rights for cause, namely if the shares are issued in relation to the acquisition or the merger of businesses, or parts of businesses or the acquisition of interests or in relation to the placement of shares on foreign markets in order to widen the shareholder base.
- Creation of a conditional capital of a nominal amount of SF 242,000,000; amendment of the articles of association by creation of a new article 5 ter. In view of the issue of convertible bonds or options, the Board of Directors proposes the creation of a conditional capital up to a maximum amount of SF 242,000,000 through the issue of a maximum of 242,000 bearer shares of a nominal value of SF 1,000 each and a maximum of 242,000 registered shares of a nominal value of SF 100 each within the proportions provided by article 11 of the articles of association, with authorization to the Board of Directors to suppress the shareholder's preemptive rights for cause, namely if the shares are issued in relation to the acquisition or the merger of businesses, or parts of businesses or the acquisition of interests or in relation to the placement of shares on foreign markets in order to widen the shareholder base.
- Other business.

The annual report, the statutory accounts and the consolidated accounts together with the report of the Auditors will be available for review as of May 11, 1994 at the Company's registered office in Geneva. A copy of these documents will be sent to shareholders on request.

Holders of registered shares recorded in the share register are hereby advised that they will receive an invitation to the Annual General Meeting. Only holders of registered shares recorded in the share register as of May 20, 1994, will be entitled to vote at the Annual General Meeting.

Holders of bearer shares may obtain an admission card from May 11 to noon on May 30, 1994, at the offices of Banque Paribas (Suisse) S.A., Union Bank of Switzerland or Crédit Suisse, against deposit of their shares or of a document certifying their deposit at another bank. Deposited shares will be blocked until the close of the Annual General Meeting.

Pursuant to Article 18, para. 3, of the Company's articles of association, each shareholder is entitled to be represented by a holder of the same category of share. In addition, each shareholder is authorized, under Swiss law, to be represented by Pargesa's officers or by a bank as depositary representative, or by M^r Jean-Paul Aeschmann, Attorney-at-Law, 25 Grand-Rue, CH-1211 Geneva 11, as independent representative. Unless proxies include explicit instructions upon remittance, voting rights will be exercised following the Board's recommendations.

Depositary representatives, as defined in Article 689d of the Swiss Code of Obligations are requested to declare at their earliest convenience, but at the latest by noon on May 30, 1994, the number, the category and par value of the shares they represent to Banque Paribas (Suisse) S.A., together with the reference numbers of the admission cards. Institutions subject to the Swiss Federal Act on Banks and Savings Banks of November 8, 1934, and professional fund managers may be considered as depositary representatives.

The full text of the statutory clauses relating to points 5 and 6 of the Agenda may be reviewed in the notice of convocation published in the Swiss Official Gazette of Commerce of May 11, 1994.

Geneva, May 11, 1994

For the Board of Directors
P. Desmairis Sr.
Chairman

Wiseman buys rival for £8.1m

By Maggie Urry

Robert Wiseman Dairies, the Scottish milk processor which floated on the stock market in March, is paying £8.1m to buy Kennedy Farm Dairies, a rival Scottish processor and distributor. The deal follows Wiseman's purchase of Mackies, another Scottish dairy group, in April for £3.1m.

The deal will take Wiseman's share of the Scottish milk market from 21 per cent to 31 per cent, and its share of the total UK market from 2 to 3 per cent.

Kennedy, owned by Juronem, a private company, sells to independent retailers, caterers and households through doorstep deliveries. It has three processing sites and a half share of a dairy in Dundee. It also has 15 distribution depots and a dairy farm.

In the float which valued it at £63.7m, Wiseman raised £14.5m cash for the company. The Wiseman family retained a 74.8 per cent stake.

Wiseman said Juronem had net assets of £3.2m at January 1, and made a pre-tax profit of £238,000 on sales of £45.8m in the year to that date.

Redrow's small public response

By Andrew Taylor, Construction Correspondent

The £117m flotation by Redrow, the third housebuilder to come to the market this year, has fallen foul of the recent fatigue in the London stock market for new issues.

The company announced yesterday that while all of the 87m shares on offer had been taken up, the public had subscribed for only 17.12m or 19.7 per cent of the minimum

21.75m shares they had been offered.

The shortfall has been placed with institutions which have acquired 4.6m more shares than they had expected. The issue at 135p was fully underwritten by Barclays de Zoete Wedd with Cazenove acting as broker.

The issue price valued the company at £296m. The company scaled down the offer price following a fall in building share prices this spring. It

had originally considered an issue price of 145p, valuing the company at £350m.

Under the terms of the issue Redrow gained £55.4m from the sale of 41m shares while Mr Steve Morgan, the founder and chief executive, raised £62m from the sale of 46m shares, reducing his stake to 60 per cent. Mr Morgan originally had planned to raise £100m and reduce his stake to 50 per cent. Dealings are due to start in the shares on May 17.

Exceptional costs put Arlen £6.81m in red

A provision for the loss on the sale of a subsidiary, reorganisation costs and compensation to former directors left Arlen, the light fittings and electrical accessories company, with a pre-tax loss of £6.81m for the nine months to December 31.

The provision, relating to the sale of Highland Electronic, amounted to £6.7m, of which £5.8m was for goodwill previously written off.

The operating loss of £466,000 on continuing activities was the result of the compensation and reorganisation, directors said.

There is a deficit on revenue

reserves and a capital reorganisation is planned.

Turnover for the period was £26.5m, of which £6.01m was for discontinued activities. In the previous 12 months pre-tax profits were £719,000 on turnover of £22.2m. The net interest charge fell from £496,000 to £144,000.

Losses per share were 13.2p (earnings 0.9p). During the period there was a 56.7m rights issue which left Fortress Trust with a 25 per cent stake.

Directors said the first quarter's trading was satisfactory. The shares rose 5p to close at 30p.

Bearing Power at £404,000

Despite continuing pressure on margins, Bearing Power International, which distributes precision bearings and power transmission components, raised pre-tax profits from £237,000 to £404,000 in the half year to March 31.

Acquisitions helped turnover jump 68 per cent to £17.9m. After a tax charge of £126,000 (£26,000 credit), earnings per share emerged lower at 0.84p (0.91p). There was again no interim dividend - last year's single distribution was 0.76p.

Chamberlain Phipps to seek relisting

By Peggy Hollinger

As the British footwear industry fights against the threat of east Asian imports, one UK company is making a healthy living by supplying shoe components to Asian manufacturers.

Chamberlain Phipps - which manufactures plastic and rubber soles, as well as shoes - is hoping to cash in on its success by returning to the market this summer valued at more than £80m.

The group was last quoted on the London Stock Exchange in 1989, when it was acquired by Evode, the adhesives company, as part of a larger purchase.

By 1992, however, the company had begun to suffer the effects of recession and a sharp downturn in the UK shoe market. Evode opted to sell Chamberlain to Mr Dan Sullivan, a US investor, and Legal & General Ventures, the venture capital company, for £12m.

Since then, the two shareholders have invested a further £30m in acquisitions and restructuring. Chamberlain now claims to be a leading exporter of plastic and rubber shoe components to east Asia,

and France's largest private-label shoe supplier. Profits have risen from just under £5m in 1989 to about £11m this year.

The company aims to raise £50m in the float, of which £25m will be used to reduce debt. The remaining £25m will be split between the founding shareholders.

Mr Sullivan, who boasts a track record of more than 30 buy-ins and flotations in the US, including Tyco Toys, is expected to recoup his £4m original investment in return for selling about 10 per cent of his 50 per cent holding.

After the float, which will roughly double Chamberlain's equity base, Mr Sullivan will hold between 27 and 30 per cent.

Legal & General is selling about half its stake and will retain between 15 and 20 per cent of the enlarged group.

Mr Sullivan said the export market, particularly in east Asia, represented great potential. "Demand is high for western European materials," he said. They offered quality and choice at a price which could be incorporated into the cheaper east Asian shoes, because of the relatively low labour cost.



Getting into gear: Dan Sullivan sees Chamberlain's future in retreating the company's steps to the London Stock Exchange

COMPANY NEWS: UK

C&W spurns partners for outsourcing

By Andrew Adams

Cable and Wireless, the telecommunications group, yesterday reaffirmed its intention to attack the growing corporate market for telecoms contracting-out without seeking international partners.

It claimed it had won a quarter of the contracts awarded by large multinationals for telecoms outsourcing in the past 18 months, and that its existing federation of companies made an external alliance unnecessary.

C&W's strategy contrasts with those of British Telecom, communications and AT&T, the US group, both of which have forged international alliances to develop corporate business over the past year.

BT has formed a \$5.3bn (£3.6bn) alliance with MCI, the second largest US carrier, while AT&T launched Worldsource last year in partnership with leading telecoms operators in the Asia-Pacific region.

It is seeking a similar arrangement with state operators in Europe.

Some analysts believed that C&W, which is far smaller than BT and AT&T, would also seek an alliance. But Lord Young, C&W chairman,

emphasised his company's determination to develop its existing companies.

"It is the alliance of C&W companies which gives us our competitive edge," he said.

C&W owns a majority stake in Mercury and Hong Kong Telecom and has significant stakes in operators in the Caribbean, Sweden, Australia and the Baltic, as well as a US subsidiary.

Mr James Ross, chief executive, claimed that C&W had an 8 per cent stake in the international telecoms network services market and could develop its multinationals business through its business networks division, established 18 months ago to pioneer outsourcing.

The division has staff of 200 liaising with C&W operations in 55 countries. "We already do business with more than 1,500 of the 2,500 multinationals we are targeting," Mr Ross said.

C&W estimates that the contracting-out market for the top 2,500 multinationals could be worth \$15bn a year. In March, C&W launched a £1bn network upgrading programme, starting with a new 200km "backbone" network for the UK capable of offering advanced services such as video-conference and corporate phone meetings.

How to disguise the embarrassment of riches

Michael Smith previews the electricity companies' preliminary results season

Britain's electricity companies are a cautious bunch. In the four years since privatisation began, the 17 quoted companies in the sector have established a tradition of holding back from the maximum possible when declaring profits.

It has not stopped them from announcing profits way above pre-privatisation expectations. But taking a "prudent" approach on issues like provisions for bad debts and business restructuring has enabled them to reduce the potential political flak which would have arisen from even stronger financial performances.

If, however, the sector has in the past hidden its financial light under a bushel the temptation for most companies this time will be to dig a deep hole for it.

As the sector's seven-week preliminary results season begins today, with an announcement from Scottish Power, the focus of attention for 14 of the 17 privatised companies and their investors is a review that Professor Stephen Littlechild, the industry regulator, has launched into their distribution businesses.

The review takes in the two Scottish companies as well as the 12 rest in England and Wales, but the latter will be most affected since a larger proportion, in some cases virtually all, of their profits

POWER PRELIMINARIES									
Company	Date	Pre-tax profits			Net dividends			1993	1994
		1993	Forecast by UBS 1994	Forecast Home Govt 1994	1993	Forecast by UBS 1994	Forecast Home Govt 1994		
Eastern	June 29	183.4	221	212	19.2	22	22		
East Midlands	June 20	155.1	60	50	19.5	22.7	22.7		
London	June 16	145.5	183	190	19.5	22.4	22.2		
Manweb	June 21	111.2	129	126	21	24.1	24.1		
Midlands	June 28	107.1	201	195	20	23.2	23		
Northern	June 28	111.4	123	128	21.44	24.6	24.7		
Norweb	June 27	157.1	179	175	20	22.3	22.7		
Seaboard	June 28	112.7	125	125	10	11.6	11.6		
Southern	June 23	187.3	215	218	19.6	23.4	22.5		
South Wales	June 16	87	90	104	22.3	25.3	25.3		
South Western	June 30	101.1	115	115	20	23.3	23.3		
Yorkshire	June 17	156.3	175	175	20.42	23.5	23.2		
NIE	June 1	57.9	81	81	10.02	11.3	11.4		
National Power	May 18	580	670	690	10.6	12.2	12.3		
Scottish Power	June 8	297.1	345	345	11.5	12.4	12.4		
Hydro-Electric	June 8	146.6	160	170	11.38	12.6	12.5		

Taking into account yesterday's statement

comes from distribution. Early indications in a letter from Prof Littlechild to the distributors are that some companies may have to reduce their prices by as much as 20 per cent from next April when the new regime comes into effect.

Desperate to avoid this fate, companies will be doing their best in the results season to disguise the embarrassment of riches that have flowed their way since privatisation.

"Caution will be the watchword," says Mr Nigel Hawkins, utilities analyst at Hoare Govett.

"Anything which could be interpreted as excessive will make the regulator's job more

difficult and may worsen the outcome of the review from the companies' point of view."

Mr John Wilson, analyst at UBS, detects a considerable slowdown in regional companies' cost control exercises ahead of the review.

He says there may also be a reverse of the traditional dividend race in which companies appear to have been in competition with each other to see who can pay out the biggest increase to shareholders.

But however hard they try, the regional companies are bound to show exceedingly healthy profit increases from 1993-93. UBS expects average pre-tax profits for the sector to be about £163m in 1993-94,

against £140m the previous year.

Growth in sale volumes might be low, perhaps up 1 per cent to 2 per cent if half-year results are anything to go by, but the companies are still benefiting enormously from the improvements in efficiency that have been effected in the last four years.

Most of the companies will have had cash in hand by the end of last March - the end of the financial year.

That would have been the case even if they had not benefited from customers paying more than £500m of their bills in advance to avoid paying value added tax which the govern-

ment introduced from April 1.

Companies' plans for the prepayments will be one of the side issues around the results.

The Labour party and consumer groups are stepping up their pressure for the money to be set aside for helping disadvantaged customers rather than be used to boost company profits.

However, the issue that every investor and analyst will try to resolve at the regional companies' presentation of results will be how each company will come out of the distribution review.

With company executives under strict instructions to keep secret the progress of their negotiations with Ofwat, the industry regulator, the questioners may be disappointed.

The large generating companies will be less constrained in giving their results, particularly the two serving England and Wales, National Power and PowerGen have just come through their own regulatory review and are still smarting from the results.

Over the two years from last month their profits could be depressed by about £120m in total as a result of the price cap negotiated with Prof Littlechild, according to SG Warburg Securities. The cap will not affect their results for 1993-94.

However, the companies will be attempting to show the City

that they can still grow profits and dividends by impressive amounts because of continuing cost cuts and expansion overseas.

North of the border, Scottish Power will also be emphasising its improved efficiency with some analysts expecting the company today to show job cuts in the last year of 7 per cent to 8 per cent.

Hydro-Electric's results will be watched for the company's latest word on the weather, which the company warned recently would depress profits this year because low rainfall had reduced the scope for generating through hydro electric power.

However, most clouds have a silver lining and some Hydro watchers hope heavier rainfall so far this year will produce an equally fresh result - this time in Hydro's favour.

The star of this year's results could turn out to be Northern Ireland Electricity, the smallest company of all.

Having come to the market just last year, it does not face a big regulatory review for three years.

This gives it stability and the company appears to be using the opportunities well by cutting costs vigorously. Hoare Govett's Mr Hawkins thinks earnings growth could be as high as 30 per cent, facilitating one of the highest dividend increases among power distributors.

Scottish Widows gloom over HK

By Norma Cohen, Investments Correspondent

Scottish Widows, one of Britain's leading institutional investors, has decided to reduce its investment in the Hong Kong market because it believes property valuations are overblown.

Mr Robin Garrow, director in charge of global asset allocation, made a particularly gloom assessment of the Hong Kong stock market following a visit there in April.

"In terms of investment policy my main conclusion was to confirm a negative view of Hong Kong," Mr Garrow wrote in a recent briefing note. "This has all the hallmarks of a classic bubble."

He also noted that fund man-

agers, perhaps wrongly, approach investment in south-east Asia on a country basis and not on an individual stock basis.

Hong Kong forms about 38 per cent of the FT-A Pacific Basin Ex-Japan Index and many fund managers feel they must hold a weighting roughly equal to that when they are uncertain about the colony's prospects.

"This is understandable if not laudable for stock markets but, I believe, regrettable for fund managers. Why should we feel constrained to keeping Hong Kong, for example, as a proportionately high holding in the area?" Mr Garrow wrote. Scottish Widows, with roughly £200m in assets, has about £600m in east Asia,

excluding Japan, with only 15 per cent of that in Hong Kong.

In citing his reasons for reducing exposure, Mr Garrow said that analysts attending a recent Bank Credit conference believed that profits of property companies accounted for 65 per cent of the whole of the Hong Kong stock market and that some companies may be producing paper profits by counting the future value of properties still under development.

Also, he noted, one company he visited in Shenzhen which described itself as a conglomerate turned out to be largely involved in property development.

Meanwhile, Mr Tom Crombie, investment director at

Scottish Equitable, said he had also significantly pared investment in Hong Kong since the beginning of the year to about 20 per cent of Pacific Basin holdings outside Japan, and would consider cutting further.

"A property bubble of hair-raising proportions has just taken place," Mr Crombie said, noting that a house on the Peak in Hong Kong has just sold for £10,000 per sq ft - about 250 times more expensive than the top residential neighbourhood in London.

Mr Crombie said investors counting on a shortage of space to keep up property prices were mistaken. "If you go up in a helicopter you can see that there is plenty of land in Hong Kong and that there is even more over the border."

Holmes & Marchant 25% ahead

Holmes & Marchant Group, the marketing services company, reported pre-tax profits ahead 25 per cent from £461,000 to £576,000 for the six months to end-March.

The improvement was achieved on turnover down by £3.38m to £13.3m. Earnings per share emerged at 1.76p (1.45p). Comparative figures have been restated to reflect the accounting policy adopted for empty leasehold property costs.

Mr John Holmes, chairman and chief executive, said £1m of the decline in turnover was accounted for by the closure of the group's consumer advertising agency in February 1993, while a further £1.5m related to client expenditure on new product launches.

With lower average borrowings in the period and a reduction in interest rates, net interest payable was reduced from £450,000 to £350,000. Net borrowings at March 31 stood at £2.6m, an improvement of £400,000 on the 1993 year end.

Glasgow Income net asset value rises

Glasgow Income Trust reported a net asset value of 48.64p per share as at March 31, up from 47.88p at its September year end and 43.46p at end-March 1993.

The total return on net assets at the period end was 5.2

per cent, against 5.5 per cent on the FT-SE-A All-Share Index.

Gearing stood at 8.2 per cent, funded by short-term borrowing; directors said the employment of gearing reflected their view that after recent weakness, particularly among large capitalisation stocks, UK equities represented "good value".

Net revenue dipped to £353,000 (£362,000) for earnings of 1.18p (1.23p). A second interim dividend of 0.6p maintains the total at 1.2p, requiring a transfer of £17,000 from the revenue reserve.

Hogg Robinson acquisition

Hogg Robinson, the business services group, has acquired International Transportbedrijf G Snel of the Netherlands for an aggregate £1.8m (£2.35m) in cash.

The directors said the purchase, carried out by Hogg Robinson Transport, would complement the group's existing operations in the Netherlands, the UK and Belgium.

GR to become investment company

GR (Holdings), the leisure, property and sheepskin processing company, is being transformed into an investment vehicle by its controlling shareholders, Mr Anthony Stalbro and Mr John Stalbro.

Through a specially created company, A Stamford, they are making an agreed bid at 66p a

share, which values the company at £8.43m. Stamford has acquired the Stalbro's 51.1 per cent holding in GR and the offer has been accepted in respect of a further 16.5 per cent.

GR's shares were unchanged yesterday at 64p.

The move continues an ongoing process at GR where the traditional trading activities have declined so that now only 40 per cent of current assets are deployed in this area, the balance being used in securities and property.

In March, GR reported increased pre-tax losses of £216,882 (£124,783) for the six months to December 31.

Heath buys more of Bermudan offshoot

CE Heath, the insurance broker, is paying \$4.1m (£3.02m) in accordance with an earnout arrangement to acquire 2,401 further ordinary shares in Heath Fielding (Latin America), its Bermuda-based subsidiary.

The purchase raises Heath's stake in the company from 80.4 per cent to 90.2 per cent. Consideration will be met by the allotment of 795,029 ordinary shares, which are being placed through SG Warburg Securities.

Parnigan Intl C share conversion

Following conversion of its shares issued in March, Parnigan International Capital Trust has applied for admission to the Stock Exchange of 1.88m new ordinary shares and

377,813 new warrants.

Conversion has arisen following the investment of over 80 per cent of the assets attributable to the C shares.

Dealings are expected to begin on May 16.

Tiphook plans name change

Tiphook, the debt-laden transport leasing group, wants to change its name to the Central Transport Rental Group and be known as CTR.

A resolution to adopt the new name will be put to shareholders at the next annual general meeting, expected in September.

In March Tiphook confirmed the sale of the group's biggest asset, its container business, to Transamerica, the US financial services group. It was paid \$678m then and may receive a further £49m from the deal, subject to a completion audit.

Tiphook, which had debts of more than £1bn before the sale, had warned that its survival depended on the disposal.

Slight fall at Drayton Blue Chip

Drayton Blue Chip Trust reported a slight fall in net asset value per share to 80.7p at March 31 1994, against 81.8p a year earlier.

Calculated value per preferred growth share, however, rose from 124.8p to 139.4p. Net revenue slipped from £1.14m to £1.09m in the year and earnings per share came to 8.58p (9p). The final dividend is unchanged at 5.456p for a same-again total of 8.4p.

Wardle Storeys denies parachute speculation

Wardle Storeys, the plastics and safety equipment group which makes specialist parachutes, issued a statement yesterday denying its GQ parachutes were involved in a weekend incident involving paratroopers injured when they landed on hard ground during a Nato exercise in Sardinia, writes Paul Taylor.

The company issued the statement after its shares fell amid market speculation about the incident. The shares, which initially fell to 388p, subsequently rallied to close 10p lower on balance at 400p.

Schroders poised to launch Japanese investment trust

By Bethan Hutton

Schroders is to launch an investment trust to catch the current wave of enthusiasm for Japan.

The Schroder Japan Growth Fund will invest in the whole range of Japanese companies, from the Tokyo Stock Exchange first section to the over-the-counter market.

It is the second new Japanese trust to be launched this year, while at least two existing funds have raised new

capital or are planning to do so.

Many trusts in the sector have been trading at a slight premium to net asset value, making new issues comparatively attractive.

Schroder Investment Management is better known for unit than investment trusts: it already has four Japanese unit trusts. The new trust will be managed from Tokyo by Mr Ed Merner, who has been responsible for the Schroder Japanese Smaller Companies

unit trust since its launch 10 years ago.

Mr Jeremy Hill, a director of Schroder Investment Management, said the company believed there was growing evidence of recovery in Japan.

The fund is being launched by means of a placing and public offer for subscription which opens on June 7 and closes on June 30. Shares will be issued at 100p, with warrants attached on a 1-for-5 basis. Dealings are due to start on July 11.

PAN - HOLDING

Société Anonyme - Registered Office: Luxembourg
R.C. Luxembourg: B 7023

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The shareholders of PAN-HOLDING S.A. are invited to attend the ANNUAL GENERAL MEETING which will be held at the Restaurant Herten, 6, Place du Saint-Esprit, Luxembourg, at 3.00 p.m., on May 30, 1994, with the following agenda:

1. To accept the Directors' and the Statutory Auditor's reports and to approve the financial statements and accounts for the year ended December 31, 1993.
2. To approve the appropriation of the results, to declare a dividend and to fix the date of payment.
3. To grant discharge to the Directors and to the Statutory Auditor for the proper performance of their duties.
4. To re-elect Directors.
5. To fix the Directors' emoluments for the year 1993.
6. To re-elect the Statutory Auditor.
7. To fix the Statutory Auditor's emoluments for the year 1993.

The bearer share certificates may be deposited with a bank or financial institution acceptable to the Company. The corresponding deposit certificates should be forwarded to the Company, P.O.B. 408, L-2014 Luxembourg, so as to reach them not later than May 24, 1994.

The owners of registered shares need not deposit their share certificates.

THE BOARD OF DIRECTORS

As of April 30, 1994, the consolidated net asset value was USD 349,148,458.03, i.e. USD 834.82 per share of USD 200 par value.

The consolidated net asset value per share amounted as of April 30, 1994 to USD 866.15.

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COMMODITIES AND AGRICULTURE

Coffee futures burst through \$1,900 a tonne

By Alison Maitland

Coffee futures started briefly into the abyss yesterday before regaining their poise and bursting back through \$1,900 a tonne to a fresh five-year high, up 6.7 per cent on the day.

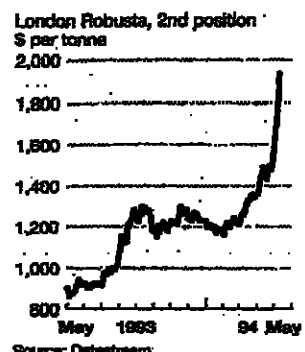
The London robusta market began strongly but then dropped over \$70 after New York arabica futures stumbled into profit-taking shortly after the opening. The subsequent recovery in New York fired London into another round of buying.

The July contract in London closed up \$122 at \$1,935, just below the day's high of \$1,947. In afternoon trading in New York, the second position was up marginally at 109.2 cents a pound.

"I think the two markets are heading each other on," said one London trader. However, the dip in New York had "put the frightened ones" because US funds were believed to be about 30,000 lots long.

Traders have been warning of a huge correction after the London market's 62 per cent rise this year, much of it in the past two weeks. But news yesterday that arabica coffee producers are free to release 50 per cent of their stocks now

Coffee



that the trigger price has passed 85 cents a pound caused only a blip in the upward momentum.

"Sometimes a market just goes and goes and goes," said Mr Bill O'Neill, analyst at Merrill Lynch in New York. "We view stocks as being extremely tight and the fundamental situation as constructive. But we're starting to discount a lot of these. We should be cautious." He added, however, that further gains might be justified by the significant reductions in Colombian and Brazilian crops and high internal prices in Brazil, which were discouraging exports.

MARKET REPORT

Copper prices beat retreat

COPPER prices finished lower at the London Metal Exchange yesterday, with the market beating a retreat from new 13-month highs on expected technical selling and profit-taking.

The high-water mark for three months delivery was \$2,097 a tonne, but final business was at \$2,073, down \$4 from Monday's after hours close.

Other metals were pulled back from artificially high levels by copper, although ALU-

MINIUM proved resilient, and continued its technical base-building above the \$1,330-a-tonne level.

Compiled from Reuters

LME WAREHOUSE STOCKS (as at Monday's close)	
Aluminium	-2,175 to 2,696,970 tonnes
Aluminium alloy	-580 to 37,800 tonnes
Copper	-10,025 to 448,400 tonnes
Lead	-125 to 140,125 tonnes
Nickel	-652 to 132,036 tonnes
Zinc	-410 to 1,164,975 tonnes
Tin	-880 to 27,840 tonnes

Survey shows gold investment rallied strongly in 1993

By Kenneth Gooding, Mining Correspondent

Some 348 tonnes of investment gold, the highest level for more than ten years, was bought in 1993, compared with only 69 tonnes in 1992, according to the latest survey of the market by the Gold Fields Minerals Services research group.

A revival of interest in gold was sparked among American and some European investors by the well-publicised activities in April and May last year of two high-profile international financiers, Sir James Goldsmith and Mr George Soros.

They helped to end a five-year bear market in gold and lift the price by \$80 a troy ounce, or about 18 per cent, during 1993.

On the other hand, a combination of higher prices and economic weakness in Europe and Japan caused the first fall in the use of gold in fabrication

Global Gold Supply and Demand (tonnes)		1990	1991	1992	1993
Supply					
Mine production		2,133	2,181	2,237	2,281
Net official sales		187	119	802	522
Old gold scrap		524	461	463	535
Gold loans		5	5	5	5
Forward sales		224	96	165	198
Option hedging		7	15	103	2
Implied disinvestment				283	
Total supply		3,080	3,114	3,570	3,538
Demand					
Fabrication		2,145	2,306	2,693	2,501
Jewellery		217	208	178	183
Electronics		277	305	274	304
Other		2,651	2,816	3,141	2,989
Total fabrication		2,651	2,816	3,141	2,989
Bar hoarding		224	252	273	137
Gold loans		218	45	69	68
Implied investment					
Total demand		3,080	3,114	3,570	3,538

Source: Gold Fields Minerals Services

in the western world since 1987. The drop was particularly noticeable in the jewellery sector - which accounts for more than 70 per cent of gold demand and used almost 7 per cent less gold: 2,302 tonnes against 2,474 in 1992.

Mr Stewart Murray, GFMS managing director, pointed out yesterday that speculators and investors could drive the market either way this year, depending on such things as

their perception of whether the US authorities had inflation under control. This made it impossible to make sensible price forecasts.

Nevertheless, "based on figures for the first quarter of 1994, it appears that consumers in the main Asian markets have adjusted to the higher price levels, and there is now good support for gold in the \$370 to \$380 an ounce range", Mr Murray admitted some

producers might find it worrying that with the average price for the year only 4.5 per cent up from 1993 a record 516 tonnes of scrap supply was encouraged into the market, mainly from the recycling of old jewellery. However, he said the flow was not surprising, given the rapid rise in the past few years of the "pool" of gold jewellery. Last year there were special factors such as many Indian investors turning tem-

porarily from jewellery to bars of gold, property and equities. Also many of the Saudi Arabian sales were to exchange old jewellery for items of more modern design.

Other points from the survey, the fifth since GFMS - which is financially supported by Gold Fields of South Africa, that country's second-largest gold producer, and Newmont, the biggest North American producer - took it over, include:

- Mine production outside the former eastern bloc countries rose only 2 per cent to 1,891 tonnes, the lowest growth in output since 1986;
- Both average western world cash and total mine production costs fell by 5 per cent, to \$233 an ounce and \$285 respectively;
- Forward sales by gold mining companies increased to their highest level since 1990 and the second highest level since 1980 - 180 tonnes against 165 in 1992;

- Central bank sales added a net 475 tonnes to supply, down from 625 tonnes. Gross sales totalled 608 tonnes involving 22 central banks or other government organisations. In 1992 some 15 official organisations sold 978 tonnes, including 500 tonnes sold between them by the Belgian and Dutch central banks;
- Global supply was slightly down, from 3,570 tonnes to 3,538, even though output in the Commonwealth of Independent States is estimated to have held up well at 244 tonnes against 237 tonnes;
- The so-called "global gap" between supply and physical demand narrowed from 70 to 300 tonnes. Mr Murray added: "Will private or official holders fill the gap as they did last year or will the price have risen to tease the gold out?"

Gold 1994: 285 or US\$385; GFMS, Greenock House, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

Cyprus rebids for Chilean copper

By Jason Webb in Santiago

Cyprus Amax, the US mining group, showed it was still interested in buying 51 per cent of El Abra in Chile, one of the world's biggest undeveloped copper deposits, by delivering a revised offer to Codelco of Chile six days ahead of the May 15 deadline.

No details were given of the revised terms. Cyprus and its partner, Lac Minerals of Canada, asked for changes after tests showed the copper content of the El Abra ore was lower than suggested by Codelco's test work. Lac recently said it would hand its share of the project to Cyprus, if the new offer was accepted.

Codelco's board will consider the new offer on May 18. It has said that it will call another international tender if the bid fails to meet requirements.

Two of the world's biggest mining groups, BHP of Australia and RTZ of the UK, which lost to Cyprus in the first tender, have indicated they may rebid.

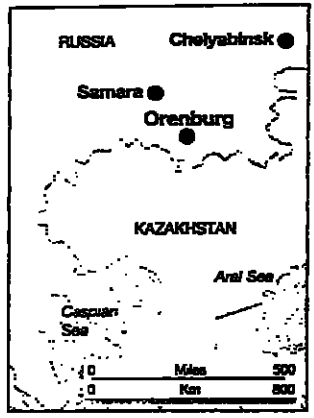
Russia's cashless trade in Kazakhstan's gas

Diplomacy is keeping an 'incomprehensible' system going, writes Robert Corzine

Political confusion as well as natural gas condensate flows along the pipeline that links the giant Karaganak gas condensate field in Kazakhstan with one of the world's largest desulphurisation plants in the neighbouring Russian region of Orenburg in the southern Urals.

The break-up of the former Soviet Union has left an international border running through an oil and gas-rich area developed according to a single integrated plan. Production on both sides of the frontier has been maintained. But there is deep political and economic uncertainty about the future relationship between the various elements of the industry.

It is compounded by a chain of non-payments. In the case of Orenburg, Gazprom, the integrated Russian gas company that runs the processing plant, pays nothing to the Kazakhs for the 3.2m tonnes of Karaganak condensate it processes each year. And it receives no payment from the refinery 400km away in the autonomous Russian republic of Bashkiria, to which it sends the partly treated condensate.



"It's incomprehensible as to how the system works," concedes Mr Vladimir Murkhanov, an official of the regional government. But the products continue to flow because it is diplomatically expedient for them to do so.

Officials say much effort is being spent to "re-create ties" with Kazakhstan on a commercial basis. But there are also moves to boost the capability of the regional energy industry to operate more independently, a development which is mirrored in other energy-rich regions throughout Russia.

The debate in Orenburg and elsewhere over the future structure of their oil and gas industries includes the degree to which regions control their resources and the role of foreign companies. The outcome is not only crucial to the economic well-being of the producing areas; over time it could affect the level of Russian oil production and the amount it can export.

The debate in Orenburg has been given added flavour by

frequent interventions by Mr Victor Chernomyrdin, the Russian prime minister, who was born in the area and began his previous career in the Russian gas industry with the local Gazprom subsidiary.

He recently chaired managers at the local gas industry, which produces about 6 per cent of Russian gas, for failing to move more quickly on plans to expand the number of products recovered from the raw gas.

Regional officials say recent annual oil output of about 7.5m tonnes has matched the best levels achieved during the Soviet era. But Mr Chernomyrdin has criticised the local industry for skimming off the "cream" of the resource, and failing to realise the full potential of existing wells.

Mr Vladimir Yelagin, Orenburg's president, believes increased production of oil, gas and minerals - combined with a move towards extracting

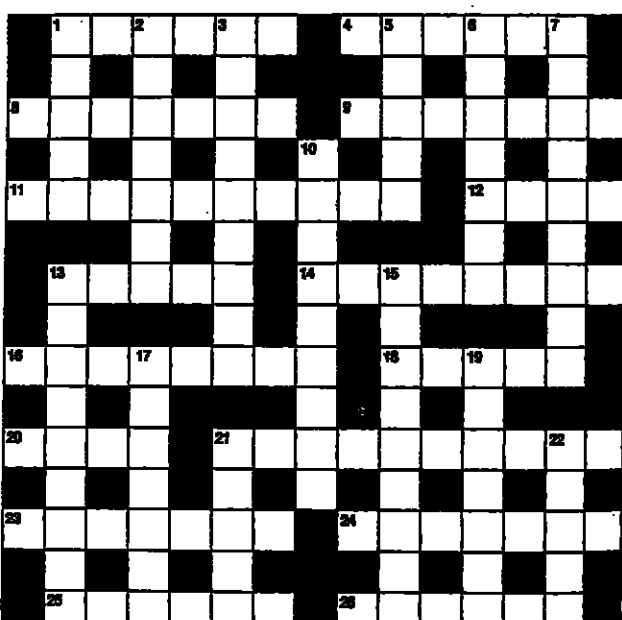
more valuable refined products from raw resources - is the key to developing the region. But Orenburg needs to gain control over a greater portion of its resources and attract foreign investment if it is to implement a strategy of using such reserves as collateral for loans to finance conversion of defence plants and non-energy joint ventures.

At present regions control 50 per cent of their resources, but are demanding 50 per cent. If even if they succeed in the political struggle with Moscow, the problem of attracting foreign capital remains.

The take up of schemes to encourage export-oriented energy joint ventures has so far been patchy. It is also uncertain how many companies will take advantage of a privatisation plan which will allow foreigners to bid for 50 per cent of the shares in regional oil companies later this year.

CROSSWORD

No.8,450 Set by DANTE



- 1 Close - doubly close in fact (6)
2 Church officer in charge of one side of Glasgow (6)
3 I'm in favour yet show displeasure (7)
4 Attack by a saint about one who became one (7)
5 Racketeers' go-between? (8,4)
6 Part that's a credit to the estate (4)
7 Home for a rabbit is pointless for a donkey (5)
8 Start on the green and accelerate away (5,3)
9 Oppressive cranny, it needs freshening up (6)
10 Describing a boom in the travel industry (5)
11 Maybe it needs vitamin B1 (4)
12 Fool people should learn from it (10)
13 Reel at different times (7)
14 A record about which there's some correspondence? (7)
15 Rectal correctly, or get off the line (6)
16 Mindful being watched (6)
17 Old railwaymen have points to look after (5)
18 She gives patient advice on social problems (7)
19 Faces up, perhaps, but not to a challenge (6,4)
- 5 Peg-legged supporter of the school board (5)
6 Two lions on the afternoon menu - or just one? (7)
7 The value of heating - or eating? (6)
8 Painters may paint it, and in a variety of places (5)
9 Youngster put to bed and left alone (5)
10 Protection at a premium (10)
11 Individual who's returned hurt (7)
12 Outside left required to be prodded into action (7)
13 Kettle provides something fragrant (5)
14 Many grew old behind bars (6)

Solution 8,449

ACROSS
1 CLOTH
2 CHURCH
3 FAVOUR
4 SAINT
5 RACKETEER
6 PART
7 HOME
8 START
9 OPPRESSIVE
10 BOOM
11 VITAMIN
12 FOOL
13 REEL
14 RECORD
15 RECTAL
16 MINDFUL
17 OLD
18 SHE
19 FACES

DOWN
5 PEG-LEGGED
6 TWO
7 MENU
8 PAINTER
9 YOUNGSTER
10 PROTECTION
11 INDIVIDUAL
12 OUTSIDE
13 KETTLE
14 MANY
15 RECTAL

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

ALUMINIUM, 99.7 PURITY (per tonne)

Close 1355.5-6.5 1355.5-6.5

Previous 1357.0-7.0 1357.0-7.0

High/Low 1358.5-1358.5

AM Official 1358.5-1358.5

Kerb close 1358.5-1358.5

Open int. 247,829

Total daily turnover 26,281

ALUMINIUM ALLOY (per tonne)

Close 1315-25 1330-40

Previous 1290-40 1305-10

High/Low 1355/1330 1350/1320

AM Official 1355-5-6.5 1355-5-6.5

Kerb close 1355-5-6.5 1355-5-6.5

Open int. 3,536

Total daily turnover 741

LEAD (per tonne)

Close 482.5-3.5 479-80

Previous 481.5-2.5 478-4

High/Low 482.5-482.5

AM Official 482-3 480-5

Kerb close 482-3 480-5

FINANCIAL TIMES SURVEY

SPAIN

Wednesday May 11 1994

■ Politics: nationalists
are the powerbrokers
Page II

■ Foreign investment:
costs are catching up
Page IV

The periphery is just too far out

Afraid it may be consigned to the margins of the European Union, Spain is seeking ways to re-enter the international mainstream, writes David White

Europe ... goodbye. That was how the headline ran. It was enough to make anyone stop short, coming as it did in the heat of final negotiations for enlarging the European Union from 12 countries to 18. Could it be that, eight years after Spain's long-awaited and enthusiastic entry, the experience of Europe had produced such disenchantment?

Well, no. The front-page belonged to Marca, Spain's biggest-selling sports daily. The story was no more than Real Madrid being knocked out simultaneously from European football and basketball competitions. Nobody in Spain is against Europe or even seriously Euro-sceptical. Joining fulfilled an aspiration of 40 years. For Spaniards, Europe is a synonym for modernity.

But even so, in the words of one senior government official, "Spain is losing its European virginity." The terms for enlargement have created some bitterness. The new Nordic members - sometimes referred to as "Vikings" - are felt to have been better treated than Spain. The EU's centre of gravity is perceived to be shifting towards the north and east. Having joined in order to end its historic isolation on the periphery of Europe, Spain sees itself in danger of being consigned back to the margins. Criticised by the opposition for not having exacted better terms for Spanish membership, Socialist administration officials are frustrated at not having obtained more leverage in the compromise over EU council voting rights. They feel that a country of 38m people should be less easily overruled.

There is also a widespread

feeling - partly the result of high expectations - that Spain might have got more out of membership, although it continues to be a net recipient of EU funds. From its entry in 1986 until 1991, Spain enjoyed faster growth than the average among its European partners. Since then, it has fared worse than average. Last year's 1 per cent fall in gross domestic product was the worst performance since Spain began opening its economic borders under the Franco regime's 1959 stabilisation programme. And although activity shows signs of picking up, it is unclear when or whether Spain can regain its growth premium and start catching up again with its richer northern partners.

The gilt from the showpiece year of 1992 - the Barcelona Olympics and the Seville Expo - has faded off. Just as Spaniards were late in waking up to recession, which began that year, so too the perception of deep economic crisis still persists, despite the evidence of economic improvement.

Unemployment - the actual size of which lies somewhere between the 18 per cent registered with the National Employment Institute and the 24 per cent classed as unemployed in the government's quarterly survey - is the highest among OECD countries. Spain has 1m households in which nobody has a job. Although its economy has grown almost threefold in the last 30 years and its population has risen by a quarter, there are no more jobs now than there were in 1964.

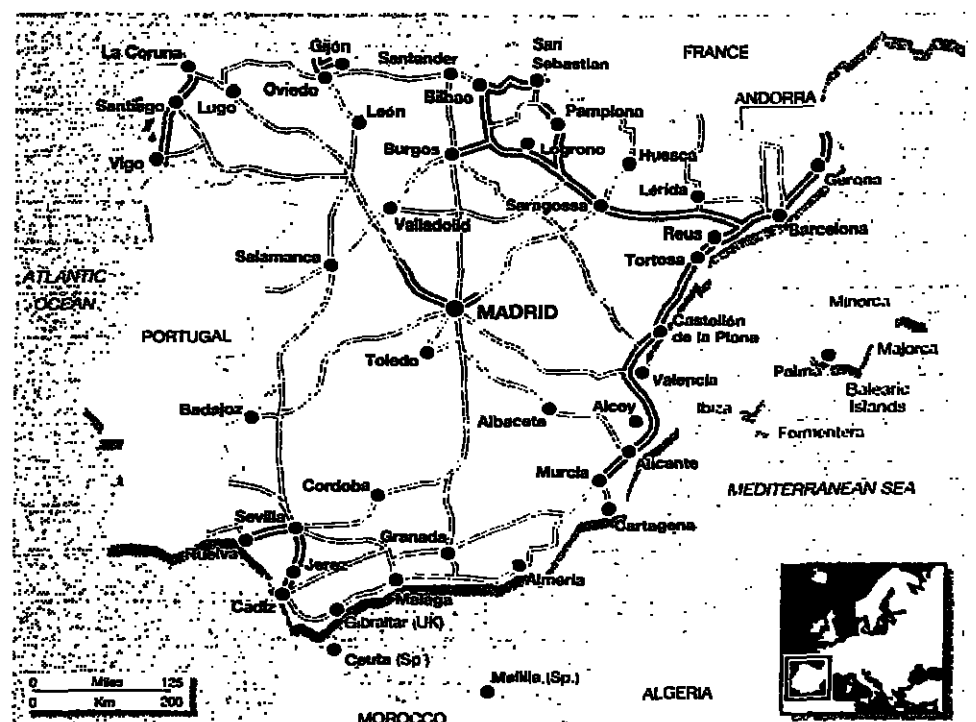
The government of Mr Felipe González needed a period of

stability while nurturing the economy back to health. But its hopes have been dramatically shaken by a political crisis over corruption scandals.

Public outrage over the cases of Mr Mariano Rubio, alleged to have salted away stock investment gains in a secret account while governor of the Bank of Spain, and Mr Luis Roldán, another Socialist appointee who managed to amass a real estate fortune while head of the paramilitary Civil Guard, has created a serious predicament for the government, provoking two ministerial resignations and the departure from parliament of two of Mr González's former cabinet colleagues.

Despite the resignations and promises of a crackdown on corruption and unremitting prosecution of offenders, the Socialists' credibility has been gravely damaged by the affair. The dirty linen of 11 years in power is being dragged out of the closet. More is likely to come out through a parliamentary committee set up to investigate party financing. Mr González may have difficulty salvaging his own "clean" image, which up to now has been a vital political asset. Both the conservative Popular Party headed by Mr José María Aznar and the communist United Left have done their best to pin responsibility for the affairs on Mr González himself.

The prime minister faces the probability of heavy setbacks in June in the European parliament ballot and in regional elections the same day in his home ground of Andalusia. His party, divided by clan rivalries, has lost much



of its support among the young and in urban centres.

Mr González himself often appears remote, while government power has become increasingly concentrated in the Moncloa Palace, the prime ministerial complex outside Madrid. Most of his ministers are virtually unknown to ordinary Spaniards. Only two cabinet ministers besides himself have survived from the original 1982 team photo, and only three since 1990.

It is clear that Mr González is counting on economic recovery to revive the Socialist party's worn image by the next general election, due at the latest in 1997. Last year it scraped through to win a fourth term but in a hung parliament, depending on support from the 17 deputies of the Catalan nationalist party, Convergència i Unió. The alliance, like the one between the Socialists and the Basque Nationalist party in the Basque country, is delicate. The push towards ever greater autonomy in the two regions creates a constant, nagging unease at the centre of Spanish politics,

made worse in the Basque case by the persistence of sporadic terrorist killings.

How long a weakened Mr González can rely on the parliamentary support he needs is uncertain. For the moment, however, the economically-conservative nationalists are willing to back the government in its pursuit of pragmatic free-market policies, aimed at opening up monopolies, curbing the budget deficit and creating favourable conditions for business and job creation.

Against trade union opposition, the government is pressing ahead with a package of labour reforms to relax the notoriously stringent rules on hiring and firing. Although the idea of lifetime job security will be hard to dislodge, the Spaniards are coming around to the realisation that these rules might actually impede the creation of new employment. As has been demonstrated enough times before in the history of post-Franco Spain, seemingly entrenched attitudes do not necessarily survive from one chapter to the next.

There can be no better example of this kind of sea change than the row over Nato membership, culminating in a 1986 referendum which almost unseated Mr González from office within three months of Spain's joining the European Community. Spaniards today must wonder what the crisis was all about. These days Spain is virtually a full Nato participant and 1,400 Spanish troops serve alongside British, French and Canadian UN battalions in Bosnia-Herzegovina, the biggest force deployed outside Spanish territories since the Blue Division went to fight under German command on the Russian front.

Spanish opinion is just as happy to have them there as it was hostile, a few years back, to any idea of having soldiers engaged abroad. The fact that Spain is now seen playing a prominent and responsible role, in the midst of a conflict with many echoes of its own civil war of a previous generation, is a token of its re-entry into the international mainstream.

The Plaza San Juan de Dios in Cádiz

Fernando Vázquez

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SPAIN II

One political cycle may have ended. But when will the next begin? Tom Burns reports

The nationalists are the powerbrokers

Mr Jose Maria Aznar, the leader of the opposition, says that the general elections last June marked the end of a political cycle and the start of a new one. He implies that the day when he will take power as head of a centre-right Partido Popular (PP) government is at hand.

The first assertion is indisputably true, for last year's vote ended the overall parliamentary majority that Mr Felipe Gonzalez, the Socialist prime minister, had enjoyed over three terms since 1982. But the timing of the next cycle is open to doubt - quite apart from the inevitability of the big swing to the PP that Mr Aznar takes for granted.

Opinion polls indicate that the PP opposition is likely to win June's elections and that the Socialists will suffer their first nationwide electoral defeat in 12 years. But Mr Gonzalez, although he is short of a parliamentary majority can in theory stagger on until 1997.

This seems to be what Mr Gonzalez wants to do. Corruption scandals have severely dented his credibility but he is hoping that over the next two years the economy will recover sufficiently to bring him, or his anointed successor in the socialist party, back to power.

But even with expert corruption damage control, the prime minister can only stagger on in theory. Mr Gonzalez does not, in fact, control the timing of the next cycle, any more than Mr Aznar does. The powerbrokers of domestic politics are Mr Jordi Pujol, leader of the Catalan nationalists, and to a lesser extent Mr Javier Arzallus, the leader of the Basque nationalists.

When a hung parliament was returned

after last June's elections, the 17 representatives of Catalonia's *Ciutadans i Unió* (CiU) group in parliament and the five members of the Basque Nationalist Party (PNV) joined forces with the 159 Socialist deputies to ensure the necessary majority in the 350-member legislature for Mr Gonzalez's investiture as prime minister for a fourth term. After long negotiations between Mr Gonzalez's Socialists and Mr Pujol's CiU, the Catalan nationalists subsequently voted alongside the socialists to push the government's budget through parliament last autumn and its labour market reform legislation in the spring.

In the future, neither of the main national parties may have a commanding majority to dictate terms to the nationalists

The prime minister needs the nationalist votes to remain in power - just as the opposition leader needs them to prevent the Socialist government serving out its full term. A Catalan and Basque defection to Mr Aznar's 141-strong PP camp in parliament would sooner rather than later trigger a mid-term general election.

There is nothing intrinsically wrong about a parliament in which a minority

party, or in this case two minority parties, can make or break governments. But the situation in the Madrid parliament is different. Fundamentally, Mr Gonzalez and Mr Aznar subscribe to the same agenda. Mr Pujol and Mr Arzallus share a different one.

The two nationalist leaders make no bones about the fact that their guiding political principle is an ever-greater degree of home rule for Catalonia and for the Basque country respectively. As powerbrokers, the Catalan and the Basque nationalist parties are in an ideal position to exert the leverage which will further their political aims.

To push through legislation, Mr Gonzalez has often had to resign himself to painstaking horse-trading on a case-by-case basis. As a result of the budget negotiations, Mr Pujol obtained a measure of fiscal autonomy for the Generalitat, the Barcelona-based Catalan government. He will certainly want more this coming autumn (under the present arrangement the Generalitat keeps 15 per cent of the income tax raised in Catalonia) when the 1995 budget is debated.

Meanwhile, the PNV has abstained from further support for the government and Mr Arzallus has recently stepped up his nationalist rhetoric to emphasise Basque separatism. This is because elections to

the 75-member Basque parliament are scheduled for October; this regional poll pits the PNV against the Socialists, the other main party in the area.

Mr Arzallus is right to be concerned that PNV votes will be lost to Basque radicals and to the conservative PP if his mainstream Nationalist party continues to back the Socialist government in Madrid. Mr Pujol, who shares the Basque leader's Christian Democrat policies, will face the same worry in the spring of 1996, when elections to the 135-member Catalan parliament take place, because the CiU's main rival is also the Socialist party.

The consequences of a hung parliament and of nationalist party powerbrokers are only now beginning to be properly digested by analysts.

It is very possible that neither the socialists nor the PP, that is to say the *nacionalistas* as opposed to the nationalist parties, will in future elections obtain the sort of commanding majority that from 1989-93 allowed Mr Gonzalez to dictate terms to the Pujols and the Arzalluses of Spain's political establishment.

This means that, whether they like it or not, Mr Gonzalez and Mr Aznar will have to accept the inexorable drift towards federalism of Spanish politics. It is Mr Pujol who best understands - or at least best explains - what Spanish-style federalism



Felipe Gonzalez has had to resign himself to horse-trading to push through legislation

could mean. The Catalan leader will continue to press for fiscal autonomy for his region's 6m population and he will also step up his campaign to make Catalan the language used in the area's schools.

But his central ambition is a loosely federated Spain in which the Spanish monarch is not King of Spain but King of "the Spains" - reigning over a federation of

nationalities.

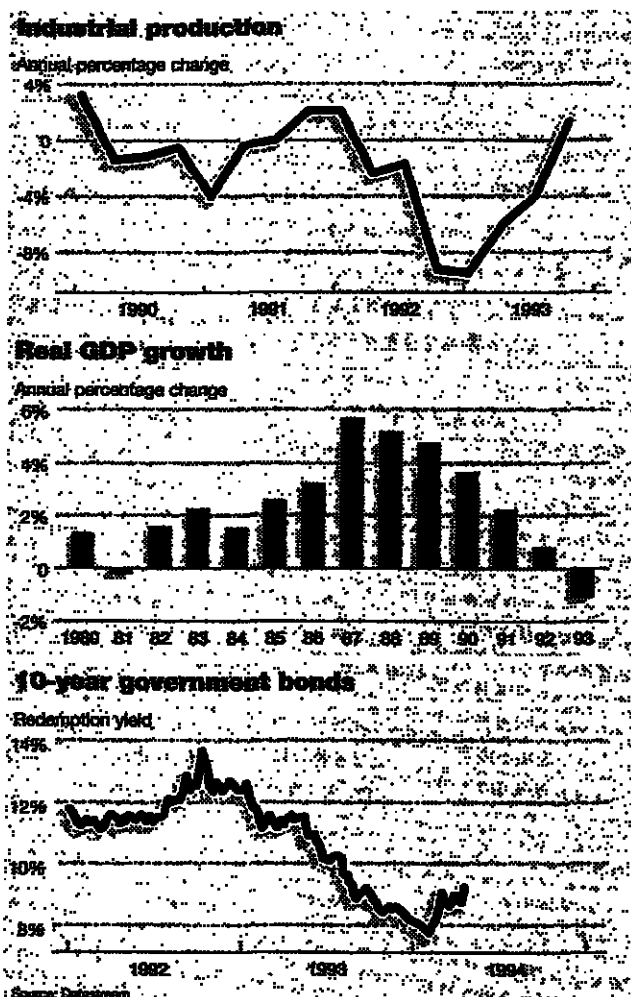
Mr Arzallus's authority extends over an area where nationalism has more confrontational overtones. Radical Basques, who represent at least 15 per cent of the area's 1.2m electorate, seek secession from Spain; they give political respectability to the ETA organisation which has been responsible for about 800 deaths in its 35-year-old campaign for Basque independence.

On practical issues, for example, Mr Arzallus wants Basques to have sole prerogatives over the area's ports and airports and over social security budgets for the elderly and the unemployed. In all, there are 54 devolution "chapters" that the PNV has placed on the negotiating table.

But the Basque leader's ideal is to have an enlarged Basque country, incorporating parts of south-west France and the adjoining Spanish province of Navarre, forming a Basque nation within the European Union. A former Jesuit and very much a realist despite his rhetoric, Mr Arzallus will settle for sort of monarch-viceroy relationship that is championed by Mr Pujol.

Unsurprisingly, Mr Gonzalez and Mr Arzallus discuss in private the dangers of a drift towards a federalism and jointly exploring what they call a "unity of criteria" over the new framework of Spanish politics. They want to agree on ground rules which will allow them to say "enough is enough" to nationalist pressure.

Neither politician relishes the prospect of Catalan or Basque parties setting the timing of political cycles. Nor are Mr Gonzalez and Mr Aznar at all comfortable with a leverage which allows the nationalists to pursue their separate agendas.



David White considers the economic outlook

Recovery seems likely

It is a fair bet that unemployment in Spain will cross the 26 per cent barrier this year.

No doubt the official rate, as measured by the National Statistics Institute's quarterly survey, includes several percentage points which correspond to people who work on the black market. Still, to citizens of most other European countries facing half that unemployment rate or less, it might well seem beyond tolerable limits. It is a testimony to the resilience of Spain's extended family-based society that it can bear it.

Last year the figure rose by more than 600,000 to 3.68m, by far the largest-ever increase and the most telling evidence of Spain's most horrible economic year of recent memory. Gross domestic product fell by 1 per cent, the sharpest recession in three decades. Only once in that period had the economy shown an annual decline - in 1981, and then by 0.2 per cent. In the first four years of Spanish membership of what is now the European Union, it had grown by an average 4.8 per cent a year.

Mr Pedro Solbes, the inde-

pendent technocrat promoted last year to economy and finance minister, says he is confident that Spain is on its way to recouping last year's slide and achieving positive growth of more than 1 per cent, possibly close to 1.5 per cent. With domestic demand depressed, the impetus for renewed growth is coming from exports and tourism.

Spain's competitive position has improved in the wake of the three peseta devaluations between September 1992 and May 1993. Exports have been showing strong growth - not only to the rest of the EU, with which Spain was in surplus in January for the first time since it joined, but also to Latin America and emerging Asian economies.

Tourism looks as if it may enjoy a boom year, helped by exchange rates - and by political violence in a number of other traditional Mediterranean destinations. The number of visitors to Spain this year is expected to surpass last year's 57m. Of the total, it is reckoned about 40m can be classified as tourists, roughly equal to the resident population.

This combination can be expected almost to wipe out the traditional deficit in Spain's balance of payments current account, which fell last year by two-thirds to Ptas32bn. Some analysts believe the figure could move into surplus for the first time since 1988, the year of Spanish EU accession. Mr Solbes, however, believes that expectation would be "excessive".

Encouraged by a slight reduction in March in the number of unemployed registering with the National Employment Agency - a figure which in the past few years has shown a wide discrepancy with the quarterly survey - Mr Solbes believes unemployment will peak, beginning to fall towards the end of the year, and more sharply in 1995 and 1996.

Most private forecasts are less optimistic on short-term growth than the government's, however. Mr Jaime de Pinies, head of research at Santander Investment, the merchant banking arm of Banco Santander, predicts GDP growth of 0.7 per cent for the year, or roughly half the official forecast. But he sees the economy picking up speed, growing towards the end of the year at an annual rate of 1.6 per cent. Next year he predicts 2 per cent growth, reaching an annual rate of 3 per cent late in the year.

The climate is now favoured by a stable peseta and the lowest interest rates for many years. Last month the Bank of Spain's benchmark rate was reduced to below 8 per cent for the first time since 1977. The 12-month inflation rate stubbornly stuck at 5 per cent in the first three months of this year, slightly higher than 1992 levels, but is generally expected to fall below 4 per cent for the year, with the government target set at 3.5 per cent. Wage growth is for the moment contained.

The risk which Mr Solbes recognises, however, is that in two or three years, with wage pressures undermining competitiveness and domestic demand pushing the current account deep into deficit, Spain

The risk is that, in two or three years, Spain could have to devalue

could find itself once again having to devalue its way out of trouble.

"There is no doubt we have to be very careful," Mr Solbes says, emphasising the need for wage moderation and control of government spending. Average wages last year rose by 2 per cent above inflation - "a paradox" in a period of soaring unemployment. It makes no sense, he says, that the only option for Spanish companies wishing to become more competitive should be to shed jobs when there is such a large reserve of spare labour.

He also argues that the government needs to "go further" in steps to control spending, and is running out of leeway to increase tax revenues. The overall public sector deficit rose by 69 per cent last year to 7.3 per cent of GDP. Mr Solbes says it would be "very hard" to bring this down to 3 per cent by 1997, one of the targets set in the EU's convergence programme for the third phase of economic and monetary union. He advocates welfare reforms and reduced subsidies to loss-making state companies.

But all these measures are politically difficult. Although the ruling Socialist party, at its March conference, endorsed

KEY FACTS

Area	504,782 sq km
Population	39.1 million
Head of State	King Juan Carlos
Currency	Spanish Peseta
Average exchange rate	1992 \$1=102.58 1993 \$1=127.26

ECONOMY

	1992	1993
Total GDP (\$bn)	574.8	482.8
Real GDP growth (%)	+0.8	-1.0
Components of GDP (%)		
Private consumption	63.2	62.7
Government consumption	22.8	20.8
Exports	17.6	19.8
Imports	-20.4	-20.5
Annual average % growth in		
Consumer prices (%)	5.9	4.6
Ind. production (%)	-2.9	-4.7
Employment (%)	-1.9	-4.1
Narrow money (%)	5.4	-1.8
Broad money (%)	4.7	9.1
Share price index (%)	-11.7	49.1
At year end		
Unemployment rate (%)	19.6	23.4
Discount rate (%)	12.5	9.0
3-month inter-bank rate (%)	15.0	8.7
Govt bond yield (%)	12.5	8.1
Reserves minus gold (\$bn)	45.5	41.0
Trade		
Current account balance (\$bn)	-24.6	n.a.
Merchandise exports (\$bn)	64.7	60.2
Merchandise imports (\$bn)	100.2	78.7
Trade balance (\$bn)	-35.4	-18.5
Main trading partners (%)		
France	20.2	15.9
Germany	15.7	14.9
Italy	10.9	9.8
UK	7.7	7.3
US	5.9	7.4
Portugal	7.5	2.7
EC	71.5	59.6

(1) Percentage growth over previous year end.

(2) Fourth quarter average. Source: IMF, ECU, National Institute of Economic Research.

government free-market policies and a "rigorous choice" in public spending, these policies are unlikely to please the party's grass-roots supporters.

Last month, the government launched a series of television, radio and newspaper advertisements to persuade Spaniards to

be public-spirited and pay their taxes. As a public relations exercise, however, it backfired: on the morning of the launch reports appeared alleging that the former governor of the Bank of Spain had avoided taxes on profits from stock investments while in office.

Tom Burns on Santander

Bank at head of the pack

Banco Santander's acquisition of Banesto at the end of last month has changed the landscape of Spanish banking. In the past, most of the estate belonged to four, roughly equal, landowners. After Santander's \$2.05bn purchase, there is one very sizeable domain and a trio of comparatively smaller holdings.

Before the auction, Santander was the most international and most profitable of the big Spanish banks. It had more funds under management than its rivals. But Argentaria, the state-controlled bank, had a bigger loan portfolio, Banco Bilbao Vizcaya (BBV) had more assets and Banco Central Hispano Americano had more bank branches.

With Banesto under its belt, Santander outstrips the rest across the board of financial services to become the unquestioned leader of domestic banking. The assets of the combined banking group, according to Santander's calculations, rank number 23 in Europe and 45 in the world.

The second consequence of the Banesto saga - its intervention by the authorities, its rescue and its subsequent sale

Continued on next page

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SPAIN III

Tom Burns on whether the public sector can provide all the solutions

Hard choices on welfare

Spain is by no means alone in the European Union in having an increasing deficit problem, but its budget shortfall is bigger and has grown more quickly than elsewhere, and it looks a lot tougher to control.

At the root of Spain's problem are the accelerated creation, within a short time, of what western society understands as cradle-to-grave welfare and the onset of the most severe economic recession in living memory, just when social spending had reached record levels.

Between 1982 when it came to power and last year when it won a fourth election, the governing Socialist party spent lavishly on education, health care, pensions and unemployment benefits. Idealistic (and certainly youthful in the early 1980s), Mr Felipe González's cabinet set out to redress what it perceived to be glaring social injustices.

Milestones in the welfare drive have included:

- Raising the school leaving age to 16; doubling the university student population; a big schools building programme and greatly increased budgets for teacher training;

- The extension of the health service and of pension rights to the entire population – regardless of whether individuals had or had not paid social security contributions;
- The creation – virtually from scratch – of a nationwide unemployment benefit scheme and enormous injections of cash to provide dole money for the lengthening queues of job seekers.

Mr González's governments added a social democratic spin on what was already a drift towards greater welfare allocations in the aftermath of General Franco's death and the restoration of democracy in Spain. All in all, social spending has risen from 27 per cent of GDP in 1977, when Spain staged its first free elections, to its present level of more than 50 per cent.

The government's welfare commitments hit trouble last year, when GDP slumped by 1.1 per cent and the rising cost of social spending ran well ahead of what proved to be sharply diminishing revenues. A planned budget deficit of 3.5 per cent of GDP for 1993 was revised upwards to 4.5 per cent and ended up as a 7.2 per cent shortfall.

For Mr Pedro Solbes, finance minister, the time for a sombre reckoning as to where and how costs can be contained and, if possible, reduced, is overdue. It is a reflection of the magnitude of his task that Mr Solbes has all but abandoned the EU's economic and monetary union convergence target of a 3 per cent deficit in 1997 and has circulated draft documents to the cabinet suggesting that the deficit will stand at "about" 4 per cent by that date.

To bring the deficit down at all, let alone by three points, the government will have

to jettison much of the social democrat culture it has practised in the past.

The Socialist party recognised as much last March, when it held its first national congress in more than three years. It adopted a key resolution entitled Towards a New Social Democrat Model, which asserted that free markets and competition were no longer "obstacles to the construction of socialism" but "simple data of existing reality". The resolution said the party had to "abandon a culture" which was "excessively weighted" towards the state and which had "the public sector providing solutions for everything".



In Barcelona's Gothic quarter, the oldest part of the city, musicians seek welfare from the public. Ray Roberts

The choices facing the government, as it turns such principles into policies, are difficult – and could have unpleasant consequences. University fees, for example, will have to be substantially increased, which may bring students out in force on the streets. (At present 85 per cent of the cost of a student's education is picked up by the tax payer.)

Much more controversial is the need for a radical overhaul of the state pension scheme. The present system, which features pensions based on 100 per cent of average earnings during the eight years previous to retirement, is more generous than in richer EU countries, where a lifetime's average earnings is often the norm. More importantly, it is unsustainable.

Spending on pensions represented Ptas.596bn (\$11.4bn) in 1982 and grew to 9.8 per cent of GDP – Ptas.758bn – in 1992. There are now 5.3m Spaniards over the age of 65 – more than double the total 30 years earlier. In 1993 the average age of new pensioners was 63, two years below the official retirement age, reflecting the increasing number of employees who had opted for voluntary redundancies and early retirement.

Mr Joaquín Almunia, a former cabinet minister who now chairs a parliamentary committee examining the future of the social security system, argues that the mandatory retirement age of 65 for civil servants should be raised to 70; that incentives should be introduced for those who choose to continue working after the age of 65; and that pensions themselves should be based on a longer earnings time scale.

Unless such reforms are introduced, Spain will not be able to pay pensions in 2025-2030 – the decade when the domestic baby boomers – there was a high Spanish birth rate between 1965-1968 – are due to retire.

The problem is made more difficult now by the collapse of Spain's birth rate. The fertility rate – the average number of children per woman of child-bearing age – has dropped from 2.6 per cent in 1977 and 2.2 per cent in 1980 to 1.2 per cent, one of the lowest in Europe.

Mr Almunia suggests that the shrinking youth population means that Spain will have to import labour in the coming years. Spanish society will thus be facing for the first time the problems which can accompany a large immigrant population.

Nonetheless, the biggest immediate problems – insofar as they are most directly responsible for the growing deficit – are the health care and, in particular, the unemployment welfare systems. Current spending on unemployment represents 4 per cent of GDP – one of the highest ratios in the EU. Proportionally, Spain has by far the highest number of registered unemployed.

The government is now reducing the number of pharmaceutical products available free under the health care system and is negotiating lower costs with drug producers. On the unemployment front, it is increasing its inspections of unemployment fraud.

But tougher decisions are required. These range from deregulating the stranglehold which pharmacies exert over the health care sector, to bringing the spend-thrift employment institute, the INEM, under direct control of the treasury.

Along with thorough-going reforms, two things have to happen before Spain's public finances pick themselves up off the floor. First, the economy must recover – and recover strongly. Second, the limitations of a welfare system must be properly understood by politicians and by voters.

Women are becoming more visible in public life, writes Tom Burns

Fewer births, more equality

The changing face of Spain may be measured by the investment in infrastructure, which makes it possible to drive 1,300km from the Portuguese border to the French frontier without encountering a traffic light. Or it may be quantified by the surge in sophisticated savings that has prompted a twofold increase in domestic funds under management over the past year.

The increasing prominence of women is another yardstick of a profoundly transformed society. In many aspects, Spain is now almost indistinguishable from its ostensibly richer and more established European Union partners.

With nine women in its 60-member European parliament contingent, Spain has a marginally higher proportion than the UK and a slightly lower one than Belgium. The likelihood is that after the European elections in June, the Spanish proportion of women MEPs will go up.

Ms Marina Subirachs, a sociologist who runs the Instituto de la Mujer, a government agency created in 1983 to promote women's rights, argues that the Strasbourg ratio is too low and that the 54 women elected to the 350-member Madrid parliament in Spain's general elections last year, also representing a 15 per cent proportion of women, are also far too few.

Echoing the views of those with similar responsibilities for promoting the interests of women, Ms Subirachs believes the gender breakdown in any legislative assembly should be 50-50 – give or take a percentage point.

As elsewhere, in Spain women are on track to achieve this political parity. In 1982, out of 208 director-generals, the top civil service rank, three were women. By last year 40 out of 289 were women.

The gap is closing in Spain because, as

in other European societies, there are now more women than men enrolled in higher education and gaining university degrees. By 1976 the number of Spanish girls had overtaken boys in secondary school enrolment. By 1990 there were as many female as male undergraduates.

The Instituto de la Mujer notes a growing men-women equality among those who pass the competitive exams for the main civil service positions. There are proportionally fewer women entrants to high-flying private sector jobs, particularly in industry – a fact Ms Subirachs attributes to "greater transparency of the civil service's recruitment".

In the past year, it has been women, rather than men, who have found the scarce jobs available

The growing success of women also owes something to the militancy of Ms Subirachs and her colleagues, particularly in the Socialist party. Socialist women carried a motion at the party's 1986 congress that made mandatory a 25 per cent proportion of women on all the party's internal committees. Last March the congress raised this proportion to 33 per cent.

There was regret last year, after last June's elections, when Mr Felipe González, the prime minister, chose only three women to join his 17-member government – just one more than in his outgoing cabinet. The party's women's pressure group had expected six women ministers.

The significant difference between the status and role of women in Spain and that in other European societies is the low overall women participation in the labour market. Government surveys show that only 35 per cent of Spanish women in the

16-65 years old age group are employed, or say they are actively seeking a job. This is dismally low by EU standards.

But statistics show that 70 per cent of Spanish women under the age of 30 are employed or want employment – double the overall figure. (In Ms Subirachs's home town of Barcelona the proportion has risen to 80 per cent.)

The overall figure is gradually climbing. During the past year, which has registered a big rise in unemployment, it has been women, rather than men, who are finding the scarce jobs available. New regulations encouraging part-time employment are part of present reform of the existing labour legislation. They are expected to lead to a significant increase in female employment.

In the meantime, the fertility rate of childbearing Spanish women has dropped to 1.2 children – the lowest in Europe, along with the Italian women's fertility rate. This is a full point down from the "replacement" rate of 2.2, which was registered in 1980.

However, there is little difference between Spain and the EU in the battle over equal pay for women. Although it is illegal to discriminate between men's and women's salaries on gender grounds, the Instituto de la Mujer estimates that women's take-home pay is between 20 and 30 per cent less than men's pay in comparable jobs – a gap similar to that elsewhere in Europe.

Moreover, at far as the Instituto de la Mujer is concerned, male chauvinism is a fact of life in Spain. But Ms Subirachs, who swaps views on the subject at international conferences, says: "Macho man is a very generalised phenomenon. He is not a specifically Spanish animal and the species is evolving only very slowly."

Bank that outstrips the rest

Continued from previous page

– is the flip it has provided to the whole domestic banking sector. In the space of four months, and at a cost of some \$3.7bn, the sector has cleaned up the mess caused by the collapse of one of its largest and most traditional members.

The Bank of Spain, which stage-managed the auction through the Deposit Guarantee Fund, and the private banks which provided a high proportion of the funds required to cover Banesto's losses, proved themselves well up to the task of coping with the crisis. The reputation and solidity of

Spain's financial system emerge enhanced as a result.

In the aftermath of the auction, a third lesson is taking shape. This is linked to Santander's extraordinarily strong bid – well over what others had valued Banesto – to gain what Mr Emilio Botín, the bank's chairman, called "a unique opportunity".

The oddest feature of Santander's determination to obtain Banesto is that Mr Botín's strategy had in past years focused on building up the bank's network in Latin America and by further boosting its international business through equity holdings in

First Fidelity of the US and the Royal Bank of Scotland. In contrast, Santander had sold three banking subsidiaries in Spain, two of them to Crédit Lyonnais.

Spain, and specifically retail banking on the home front, appeared to come low on Mr Botín's list of priorities. In past years he had also allocated resources and time to developing the merchant banking activities of the group through Banco Santander de Negocios, the unit run by his daughter, Ms Ana Patricia Botín, which has now been renamed Santander Investment.

Now Santander's chairman

seems to have turned this strategy on its head by acquiring Banesto, a bank that is emphatically Spanish and has historically been involved in the country's major industries, and whose main asset is an extensive branch network that reaches deep into the rural nooks and crannies of *la España profunda*.

The lesson therefore has to do with what Mr Botín, whose family name is a by-word in Spain for conservatism and banking professionalism, feels about the future of the domestic economy. A working assumption is that Mr Botín is betting on domestic growth and that he is certain that there are a lot of pesetas to be made in Spain's small towns and *pueblos*.

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SPAIN IV

David White examines the labour reform package

Jobs no longer for life

Changes in Spain's notoriously rigid labour laws to ease the hiring and firing of workers are due to take effect in a few weeks - to the distress of trade unions and the partial satisfaction of employers.

The first part of the controversial labour reform package - the introduction of low-wage apprenticeship contracts - is already in place. In contrast to France, where violent protests forced the conservative Balladur government to withdraw its similar "professional insertion contract" scheme, Spain's Socialist government has pressed ahead. More than 70,000 young people have signed up for the new contracts since the plan was approved in December.

Attempts to negotiate with unions on the changes, which include loosening administrative restrictions on redundancies, broke down last year, prompting a partly-successful 24-hour general strike in January.

But the government, having limited the scope of its reforms to what it judged politically possible for now, has stuck to its guns. The remainder of the planned changes are due to come into force within the next few days.

The reforms mainly involve:

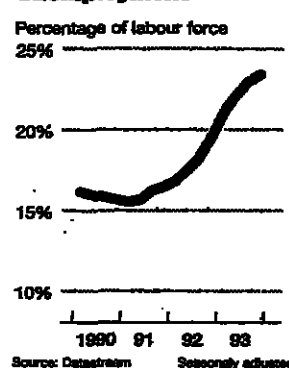
- Apprenticeship contracts for people between the ages of 16 and 25, starting at 70 per cent of the statutory minimum wage and lasting between six months and three years;
- An end to the monopoly held by the National Employment Institute (INEM) as job placement agency, making way for private firms;
- Significant amendments to the 1980 Workers' Statute, the main plank of current labour legislation, making it easier to move employees and, to some extent, to lay them off.

The jobs-for-life mentality is deeply engrained in Spain. The Franco dictatorship offered no right to strike or free collective bargaining, but Spaniards became accustomed to security of employment. The 1980 labour legislation, following a period of militancy by unions legalised after Franco's death in 1975, combined new rights with a legacy from the past of heavy state intervention in

labour relations.

A significant measure of flexibility was brought into the labour market 10 years ago with provisions for fixed-term employment contracts. Until then, almost all Spanish employees were on permanent contracts. Now, according to Dr Simon Milner, a labour relations expert at the London School of Economics' Centre for Economic Performance, 30 per cent of Spanish workers are on a fixed-term basis, the highest proportion in Europe. This deregulation has

Unemployment



enabled Spanish companies to adjust more quickly to changes in demand, especially in the private sector where the short-term contracts are most prevalent. These employees accounted for much of Spain's employment growth in the boom years of the late 1980s. However, they also tend to be the first to suffer in hard economic times. As a result, Dr Milner says, the proportion of permanent employees with highly protected jobs has recently been increasing.

The amended Workers' Statute will make it easier for companies to move employees from one job to another or between different sites. It will also extend the scope for justifying collective redundancies, not just on economic or technological grounds as at present but also to meet the needs of reorganising production.

Employers will have some leeway to make cuts - up to 30 employees or 10 per cent of the workforce for small companies in any three-month period - without having to go through

the laborious process applied to "collective" redundancies. Administrative redundancy procedures, now agonisingly slow, are to be speeded up.

This in itself promises to reduce the cost of labour adjustments. However, there is as yet no plan to reduce the level of statutory redundancy payments.

These now stand at up to 45 days of pay per year of service in cases where a court deems the redundancies to be unjustified. The minimum level is 20 days, but in practice companies will often opt to pay the higher amount to avoid having to continue pay salaries until the end of a court case.

According to a European Commission study published last year, average severance pay in Spain amounted to about 45 weeks, a level equaled only by Italy and more than twice the average for other EU countries.

Basing redundancies is a delicate task for a Socialist administration facing the highest unemployment in Europe - almost 24 per cent at the end of last year, according to the government's quarterly survey - and sometimes explosive reactions in regions affected by factory cutbacks.

However, a study by the Argentina banking group reckons that the reform package as a whole could knock four percentage points off the unemployment rate between now and 1998. The government hopes that the new work contracts will help to restrain wage costs and enable Spanish manufacturers to improve competitiveness without necessarily cutting their workforces.

Business leaders criticise the scope of the reforms, the large amount of red tape remaining and the discretionary powers left in the hands of judges. Foreign companies may still be wary about the risks of embarking on new ventures. The current measures may not be the end of the story, although ministers are reluctant to talk in terms of a further reform in the near future. "Multinationals know that this is something that cannot change from one day to another," says one senior government official.

The blue work jackets of the Santana Motor factory in the Andalusian town of Linares have become a familiar symbol of industrial protest in Spain over recent weeks.

The company, a subsidiary of Suzuki, obtained protection from creditors in February, the Japanese parent declared that it had poured enough money into it, and then drew up proposals which included cutting 1,500 of the plant's 2,400 jobs.

In an area overwhelmingly dependent on one foreign-owned factory, the Santana conflict is a paradigm of Spanish worries about multinational commitment to their local operations. The anti-Japanese reaction raised anxieties about the damage that the row could do to Spain's image among investors, prompting the government to undertake a public relations campaign in Tokyo.

It is not the only case. Another Japanese company, Kubota, announced it was closing its Ebro Kubota tractor factory outside Madrid with 300 jobs. And, to the anguish of the hard-pressed regional authorities, is in search of a new shareholder. Ebro Kubota is not the only tractor company that has suffered - John Deere has stopped production near Madrid. And Gillette's plans have nothing to do with the profitability of the plant.

Nonetheless, these cases are symptomatic of more wide-

Spain's telecommunications sector is a throwback to a time when the domestic economy was wholly inward-looking. Mr José Borrell, the public works minister, fiercely protects Telefonía, its prize dinosaur, from today's competitive climate.

Perhaps nothing illustrates this more poignantly than Telefonía's tariff structure. The government-controlled monopoly operator has low rates for inner city calls and by far the highest for international connections.

Mr Borrell is impatient about his protectionist preferences. He argues that Telefonía, 32 per cent government-owned, the largest domestic employer and one of Spain's biggest corporate borrowers, needs to be nurtured in advance of the domestic industry's deregulation.

But free marketeers suggest that his policy is likely to keep Telefonía fat and flabby rather than transform it to mean and hungry fitness. "The Spanish government gives the impression of being determined to resist its dying breath any liberalisation of the telecommunications market beyond that by which it is legally bound by EC regulations," James Capel, the London-based

■ FOREIGN INVESTMENT

Costs are catching up

be queuing up to enter Spain are now queuing up to leave.

Not so, insists Mr Juan Ignacio Molit, state secretary at the industry ministry. For all the hard times multinationals have been facing - including Volkswagen's Seat car subsidiary and Nissan's Motor Iberica operation, both high profile acquisitions of the 1980s now going through drastic restructuring - investment levels remain high, he says.

Net direct investment from abroad, according to the ministry's provisional estimates, may have exceeded Pta1,000bn (\$7.2bn) last year; less than in the three previous years but more than any in Spain's history including the boom period of the late 1980s.

The controversy, Mr Molit argues, has come from isolated cases. Suzuki never wanted overall control of Santana and is in search of a new shareholder. Ebro Kubota is not the only tractor company that has suffered - John Deere has stopped production near Madrid. And Gillette's plans have nothing to do with the profitability of the plant.

Nonetheless, these cases are symptomatic of more wide-

spread concerns about the competitiveness of Spanish manufacturing operations. Spain is no longer the obvious place for investors seeking low wages, especially in comparison with former communist economies in eastern Europe.

"Until a few years ago," Mr José María Cuevas, head of the CEOE employers' organisation, wrote recently, "Spain was an attractive country for multinationals, not because it was very productive, but because it produced at lower cost than other

recent investments is that about 90 per cent involve additional funds for existing operations or purchases of Spanish companies. Only a small proportion go towards setting up new projects.

Circumstances have changed for many foreign-owned companies, set up in the 1950s, 1960s or 1970s in a protectionist environment in which transferring production to Spain was the only way of tapping the country's internal market.

Some older-established sub-

sidiaries set up under Spanish industrialisation programmes - Gillette, for instance - have been left behind in the move to new products and technologies. Withdrawals by large multinationals are not unprecedented. The Santana plant at Linares, for example, used to make Land Rovers for the Spanish and Latin American market, but the UK company progres-

sively reduced its commitment in the 1980s before selling out. General Electric of the US, Westinghouse and Brown Boveri all abandoned Spanish subsidiaries when the capital goods sector restructured ahead of Spain's accession to the European Community.

However, EC entry in 1986 prompted an unprecedented spurt of new investment. As much as half of Spain's manufacturing capacity is reckoned to be in foreign hands. The motor industry, Spain's chief exporting sector, is entirely foreign-controlled. Multinationals hold a high proportion of Spain's chemical and food and drink sectors - increased by Allied-Lyons' recent takeover of the Domecq wine and spirits group. Of Spain's top 10 exporters, nine are subsidiaries of foreign companies.

Industrial production has declined since 1980 and last year fell 4.3 per cent. But recovery began in November, when the indices moved ahead of the previous year's figures. Recent confidence surveys show a marked improvement. And if the government needed a psychological fillip to set against the misadventures of Suzuki in Spain, it received it last month when Nissan's Barcelona plant started the first regular exports of Spanish-made four-wheel-drive vehicles to Japan.

David White

Tom Burns on a protected species

Dial D for dinosaur

security house, noted in a recent report.

The minister has plenty of critics on the home front as well. In a swingeing attack on Mr Borrell's department, the government's fair trading agency asserted: "Obviously, the Spanish economy cannot hope to be competitive with such expensive telecommunications."

Over the next four years, the domestic tariff structure will be turned on its head in order to adapt to a liberalised telecommunications market. Charges for inner city calls will be increased by 63 per cent, while the cost of international calls will come down by an average 40 per cent.

The reduction is urgent, because users in Spain are increasingly bypassing Telefonía when making foreign connections. An outgoing call to the UK, for example, costs twice as much as an incoming call using BT or Mercury. There is less clarity over the deregulation of the cellular sector. Last month the government slashed prices by about 60 per cent in the mobile telephone sector which it controls, but has indicated that the award of a licence to a private cellular operator will be delayed.

The cheaper rates should boost the analogue TMA cellular service, which is now offered by Telefonía before the introduction of updated GSM telephony under the deregulation package.

The government originally promised to publish invitations to tender for two GSM licences - one of which will be reserved for Telefonía, the other going to a private operator - last year, but the new cellular services are now unlikely before next year.

Mobile telephony is seen as an important growth market in Spain. It earned Telefonía Pta25bn (\$181m) in 1993 and Mr Fernando Pardo, a telecommunications analyst at Price Waterhouse in

Madrid, believes that the cellular business could represent an annual return of Pta250bn by 1997.

Rival consortia seeking the licence include most of Spain's big banks and corporations in alliance with foreign groups such as GTE and BellSouth of the US and the UK's Vodafone.

The sting in the government's cellular deregulation plans is not so much delay as its decision, under the latest draft plan, to auction the private sector licence instead of inviting tender bids. The consortia could be forced to bid about \$500m, according to Mr Pardo, in their effort to gain the cellular licence, while Telefonía obtains its own GSM licence free.

The "protect Telefonía at all costs" policy also seems to shape the government's approach to cable TV deregulation. Private sector critics say this draft law, which is now in its fifth but possibly not yet final version, is weighted towards Telefonía, which would control a great deal of the cable industry to protect its telephone business.

Whatever the EU directives might dictate, the idea is that a dinosaur-friendly environment should, as far as possible, be maintained.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597
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Site	Other	+or	Yield	Site	Other	+or	Yield	Site	Other	+or	Yield	Site	Other	+or	Yield
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

MANAGED FUNDS NOTES

Prices are in cents unless otherwise indicated and do not include a 1% sales charge. All figures are estimates of funds' assets as of 12/31/87. All figures are in millions of dollars unless otherwise indicated. All figures are estimates of funds' assets as of 12/31/87. All figures are estimates of funds' assets as of 12/31/87.

CURRENCIES AND MONEY

MARKETS REPORT

Firm tone to dollar

Continued speculation of a tightening in US interest rates and positive developments on the US-Japan trade dispute helped the dollar finish firmer yesterday, writes Philip Gault.

The US currency was also bought on the back of a rumour that the Fed and the Bundesbank would move in concert today by respectively raising and lowering rates.

The Fed did not move, as some had expected, to tighten policy ahead of the \$20bn quarterly Treasury refunding auction which started yesterday and finishes today.

Against a background of fairly quiet trade, the dollar closed in London at DM1.6705 from DM1.6575, and at ¥103.900 from ¥102.875. Analysts said, however, that the dollar's recovery had not yet gone far enough to be convincing.

Elsewhere, the Bundesbank cut the repo rate to 5.35 from 5.41 per cent, in line with market expectations. There is speculation in the market that the Bundesbank could move to cut the discount rate when it meets today.

Sterling was slightly firmer against the D-Mark on the back of a firmer dollar, closing at DM2.4907 from DM2.4801. It lost half a cent against the dollar, finishing at \$1.481 from \$1.496.

In his first policy speech to the Lower House of parliament, after taking office on April 26, Japanese prime minister Mr. Tsutomu Hata commented: "Given persistent foreign criticism over the closed nature of Japan's markets, it is important to change the economic structure...in order to seek gradual shrinkage of the current account surplus."

He said Japan would also try and restart the deadlocked trade talks with the US. Mr. Hata said Japan must pursue "drastic" economic reforms for its own benefit, opening its markets through deregulation and managing its economy to achieve domestic demand-led growth.

He also said that Japan should implement the economic package adopted in February and implement the market opening measures, set out in March, by June.

Germany

Repo rate %

5.4

5.35

5.3

5.25

5.2

5.15

5.1

5.05

5.0

4.95

4.9

4.85

4.8

4.75

4.7

4.65

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a possible 25 basis point cut in the German discount rate today, from the current level of 5 per cent. The rate was last cut on April 14.

Arguments for and against are fairly evenly split. Although analysts believe a cut is possible, few believe the Bundesbank is in a position where it must move.

The cut in the repo rate to 5.35 per cent means that the Bundesbank has now, over 11 consecutive weeks, cut the rate by 65 basis points to 5.35 per cent.

German call money was quoted at 5.50/60 per cent after the repo allocation, from 5.55/60 per cent on Monday. Dealers cited weak bank reserve holdings as being the reason for firmer rates.

Trade in the futures market was fairly weak, with the June euro mark contract closing at 96.02 from 96.03. The December contract closed four basis points firmer at 95.19.

In Europe the Belgian Franc ended unchanged at BF20.55 against the D-Mark after the Belgian National Bank trimmed its central rate to 5.45 per cent from 5.50 per cent. Mr. MacKinnon said the fact that the bank had felt constrained to cut by only 5, instead of the normal 10, basis points, "suggests the pace of easing is being compelled to slow down (by the rate of decline in German rates)."

The Italian lira finished firmer at L584.2 against the D-Mark from L583.9. Mr. Silvio Berlusconi was expected to present a new government to President Scalfaro yesterday evening.

The Bank of England injected \$420m liquidity into the UK money market after forecasting a \$400m shortage. Overnight money moved in the 3/4-4% per cent range. In the futures market the June short sterling contract closed at 94.60 from 94.56.

Mr. Neil MacKinnon, chief economist at Citibank, said the dollar was being undermined by the re-rating of the D-Mark, based upon the upward revision of German growth forecasts, and money markets now discounting the bottom of German interest rates in September 1994.

Also lending support to the dollar was some anticipation of

POUND SPOT FORWARD AGAINST THE POUND

May 10		Closing mid-point	Change on day	5d/10d spread	Day's Mid low	One month %FA	Three months %FA	One year %FA	Bank of England %FA
Europe									
Austria	(Sch)	17.4894	+0.0488	798 - 990	17.5352 17.3737	17.4958	0.2	17.48	0.2
Belgium	(Bfr)	51.2543	+0.2225	255 - 331	51.5225 50.9853	51.2553	0.1	51.2593	-0.2
Denmark	(DKr)	8.0534	+0.0274	374 - 473	8.1033 8.0530	8.0531	-0.3	8.0541	-0.3
France	(Ffr)	16.5907	+0.0028	801 - 935	16.6303 16.5900	16.5907	-0.8	16.5901	-0.3
Germany	(DM)	2.4897	+0.0031	248 - 344	2.5438 2.4777	2.4905	-0.8	2.4911	-0.5
Greece	(Dr)	338.712	+0.4807	385 - 458	339.220 338.000	338.712	-0.3	338.712	-0.3
Ireland	(Ir£)	1.0254	+0.0023	251 - 276	1.0275 1.0220	1.0271	-0.8	1.0263	-0.7
Italy	(L)	2377.40	-0.3	586 - 894	2378.94 2376.01	2378.94	-2.7	2378.94	-2.7
Luxembourg	(Lfr)	51.2543	+0.2225	255 - 331	51.5225 50.9853	51.2553	0.1	51.2593	-0.2
Netherlands	(F)	2.7894	+0.0127	947 - 981	2.8025 2.7763	2.7894	0.2	2.7957	0.1
Norway	(Nkr)	10.5086	+0.0485	146 - 149	10.6217 10.5086	10.6041	-0.8	10.6187	-0.3
Portugal	(Esc)	257.048	+1.468	813 - 234	257.318 256.594	257.048	-4.8	256.998	-4.8
Spain	(Pta)	164.640	+0.718	497 - 783	164.980 164.300	164.640	-0.3	164.640	-0.3
Sweden	(Skr)	11.5464	+0.0448	388 - 528	11.5930 11.4239	11.5932	-2.2	11.5874	-1.2
Switzerland	(Sfr)	2.1307	+0.0143	282 - 321	2.1341 2.1267	2.1268	1.0	2.1242	1.0
UK	(£)	1.2912	-0.0048	903 - 921	1.2935 1.2895	1.2919	-0.7	1.2895	-0.4
USA	(D)	1.4810	-0.0025	905 - 915	1.4830 1.4790	1.4810	0.7	1.4858	0.4
Americas									
Argentina	(Peso)	1.4898	-0.0023	882 - 903	1.4958 1.4861	1.4898	-1.2	1.4898	-1.2
Brazil	(R)	2175.53	-0.0115	810 - 855	2175.53 2175.53	2175.53	-1.2	2175.53	-1.2
Canada	(C)	0.7531	-0.0015	824 - 845	0.7570 0.7508	0.7531	-1.4	0.7531	-1.4
Mexico	(New Peso)	0.9501	-0.0014	410 - 592	0.9549 0.9410	0.9501	-1.2	0.9501	-1.2
USA	(D)	1.4810	-0.0025	905 - 915	1.4830 1.4790	1.4810	0.7	1.4858	0.4
Asia/Pacific									
Australia	(A\$)	2.0812	-0.0115	898 - 926	2.0883 2.0692	2.0812	-0.3	2.0874	-0.3
Hong Kong	(H\$)	11.5198	-0.0022	132 - 244	11.5750 11.5140	11.5038	-1.4	11.5014	-0.3
India	(R)	48.7800	-0.1834	482 - 521	48.9880 48.3350	48.7800	-1.2	48.7800	-1.2
Japan	(Y)	1.4810	-0.0025	905 - 915	1.4830 1.4790	1.4810	0.7	1.4858	0.4
Malaysia	(M\$)	3.8005	-0.0082	977 - 1033	3.8255 3.8576	3.8005	-1.2	3.8005	-1.2
New Zealand	(NZ\$)	2.5674	-0.0147	850 - 898	2.5698 2.5615	2.5673	-1.4	2.5674	-1.4
Philippines	(P)	40.5553	-0.1346	180 - 193	40.9225 40.5310	40.5553	-1.2	40.5553	-1.2
Saudi Arabia	(S)	5.5918	-0.0184	887 - 939	5.6175 5.5930	5.5918	-1.2	5.5918	-1.2
Singapore	(S\$)	2.3148	-0.0038	133 - 163	2.3232 2.3127	2.3148	-1.2	2.3148	-1.2
S Africa (Cm)	(R)	5.9023	-0.0074	852 - 962	5.9440 5.9022	5.9023	-1.2	5.9023	-1.2
S Africa (Fin)	(F)	7.7827	-0.0035	501 - 145	7.7155 7.7051	7.7827	-1.2	7.7827	-1.2
Taiwan	(N\$)	38.8918	-0.415	476 - 520	39.0334 38.7300	38.8918	-1.2	38.8918	-1.2
Taiwan	(N\$)	38.8918	-0.415	476 - 520	39.0334 38.7300	38.8918	-1.2	38.8918	-1.2
Thailand	(B)	37.6105	-0.0075	904 - 925	37.7500 37.5800	37.6105	-1.2	37.6105	-1.2

500R rate for May 5. Bid/offer spreads in the Pound Spot market shown only for the last three decimal places. Forward rates and are directly quoted to the nearest 0.01% and are indicated by currency symbols. Offer and Bid rates are indicated by currency symbols.

(Note: For May 10, Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling rates calculated by the Bank of England. Base average 1990-1993. Other and 100-basis in both the Dollar Spot table and the Pound Spot table. Source: Reuters. All values are rounded to the nearest 0.01.)

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Europe													
Austria	(Sch)	11.7300	+0.0715	275 - 325	11.7500	11.6350	11.7300	-0.8	11.7307	-0.2	11.7303	0.0	103.1
Belgium	(Bfr)	34.3825	+0.2825	680 - 970	34.6670	34.0950	34.4175	-1.2	34.4525	-0.8	34.4175	-0.1	104.5
Denmark	(DKr)	8.0533	+0.0028	801 - 935	8.1035	8.0530	8.0535	-1.7	8.0510	-1.1	8.0491	-0.1	103.8
France	(Ffr)	16.5907	+0.0031	231 - 331	16.5431	16.5795	16.5422	-0.8	16.5491	-0.8	16.5483	-0.4	104.5
Germany	(DM)	2.4897	+0.0108	280 - 320	2.5290	2.5782	2.5782	-1.1	2.5740	-1.0	2.5728	0.1	104.5
Greece	(Dr)	338.712	+0.1470	700 - 710	1.6719	1.8540	1.6723	-1.1	1.6725	-0.6	1.683	0.4	104.5
Ireland	(Ir£)	1.0254	+0.0023	251 - 276	1.0275	1.0220	1.0271	-0.8	1.0271	-0.8	1.0271	0.1	103.5
Italy	(L)	2377.40	-0.3	515 - 540	1.4836	1.4514	1.4802	-2.1	1.4484	-1.8	1.4383	1.0	104.5
Luxembourg	(Lfr)	51.2543	+0.2225	680 - 970	50.9950	50.9950	50.9950	-4.0	1.007	-3.1	1.0025	-2.1	79.0
Netherlands	(F)	2.7894	+0.0127	947 - 981	2.7894	2.7894	2.7894	-1.2	2.7894	-1.2	2.7894	0.1	115.1
Norway	(Nkr)	10.5086	+0.0485	490 - 510	10.6217	10.5086	10.6217	-0.3	10.5977	-0.3	10.5953	0.7	107.9
Portugal	(Esc)	257.048	+1.468	813 - 234	257.318	256.594	257.048	-4.8	2.7935	-0.4	2.7372	0.2	86.1
Spain	(Pta)	164.640	+0.718	497 - 783	164.980	164.300	164.640	-0.3	164.640	-0.3	164.640	-0.4	107.9
Sweden	(Skr)	11.5464	+0.0448	478 - 528	11.5930	11.5028	11.5930	-2.2	11.776	-2.2	11.776	-1.4	82.9
Switzerland	(Sfr)	2.1307	+0.0143	282 - 321	2.1341	2.1267	2.1307	0.3	2.1322	0.8	2.1302	1.6	103.5
UK	(£)	1.2912	-0.0025	905 - 915	1.4890	1.4802	1.4802	0.7	1.4896	0.4	1.4896	0.1	107.9
USA	(D)	1.4810	-0.0027	943 - 952	1.1644	1.1538	1.1533	1.5	1.1623	0.1	1.1531	0.1	107.9
SDR†		-1.1754											
Americas													
Argentina	(Pso)	2175.53	-0.0115	891 - 892	0.9582	0.9591	-	-	-	-	-	-	-
Brazil	(C)	1.4810	-0.0027	943 - 952	1.4893	1.4830	-	-	-	-	-	-	-
Canada	(C\$)	1.2173	-0.0031	770 - 775	1.5826	1.5733	1.3796	-2.0	1.3835	-1.6	1.3981	-1.6	63.3
Mexico	(New Pso)	3.3200	-0.01	150 - 250	3.3310	3.3150	3.321	-0.4	3.3226	-0.3	3.3302	-0.3	98.7
USA	(D)												
Pacific/Indian/Oceania/Africa													
Australia	(A\$)	1.3822	-0.0053	820 - 829	1.3957	1.3793	1.3838	-1.1	1.3864	-1.7	1.3991	-1.2	80.8
Hong Kong	(HK\$)	7.7262	-0.0013	257 - 267	7.7320	7.7282	7.7292	-0.5	7.7352	-0.5	7.7589	-0.4	107.9
India	(Rs)	31.2688	+0.0103	680 - 725	31.3755	31.3500	31.4838	-2.5	31.5696	-2.8	31.5696	-2.8	107.9
Indonesia	(Rp)	165.000	+0.0001	100 - 105	165.000	165.000	165.000	-0.3	100.750	-0.3	100.750	-0.3	148.7
Japan	(¥)	2.6180	+0.0045	190 - 170	2.6220	2.6151	2.6030	-3.2	2.5986	-3.4	2.658	-1.5	107.9
New Zealand	(NZ\$)	1.7218	-0.0042	209 - 229	1.7310	1.7182	1.7321	-0.2	1.7278	-1.3	1.7485	-1.6	107.9
Philippines	(Pso)	27.2000	-0.0001	600 - 500	27.3500	27.0500	-	-	-	-	-	-	-
Singapore	(S\$)	1.3822	-0.0011	820 - 829	1.3780	1.3780	1.3751	-0.2	1.3794	-0.3	1.3740	-0.4	107.9
Sri Lanka	(S\$)	1.5522	+0.0027	620 - 300	1.5553	1.5487	1.5519	0.5	1.5514	0.3	1.551	0.2	107.9
South Africa	(R)	3.6155	+0.007	130 - 180	3.6180	3.6090	3.632	-5.5	3.638	-4.7	3.71	-3.7	107.9
South Africa (Zim)	(P)	4.7500	-	300 - 700	4.7700	4.7500	4.784	-8.5	4.844	-7.9	4.844	-7.9	107.9
South Africa (Fm)	(F)	2.6180	+0.0045	190 - 170	2.6220	2.6151	2.6030	-3.2	2.5986	-3.4	2.658	-1.5	107.9
Taiwan	(NT\$)	26.8550	-1.16	400 - 700	26.7800	26.7600	26.8200	-2.9	26.92	-2.9	26.92	-2.9	107.9
Thailand	(Bt)	25.2520	+0.025	200 - 300	25.2520	25.2500	25.2500	-3.6	25.43	-3.3	25.92	-2.9	107.9

†SDR rates for May 5. Bid/offer spreads in the Dollar Spot table show last two business days' previous, forward rates are not directly quoted on this table.

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